

# **BITOU**

## **MUNICIPALITY**



**Unaudited**

**FINANCIAL STATEMENTS**

**30 JUNE 2017**

# BITOU LOCAL MUNICIPALITY

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# BITOU LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## GENERAL INFORMATION

### NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)  
This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community.  
Bitou Municipality also serves as an agent to Provincial Government in providing Housing to the community.

### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Bitou Municipality includes the following areas:

*Plettenberg Bay  
Natures Valley  
Wittedrift  
Keurbooms  
Kranshoek  
Harkerville  
Kwanokuthula*

### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Councillor M.P. Lobese</i>
Deputy Executive Mayor	<i>Councillor J Kam Kam</i>
Speaker	<i>Councillor A.R. Olivier</i>
Mayoral Committee Member	<i>Councillor W.J. Nel</i>
Mayoral Committee Member	<i>Councillor N.S. Ndayi</i>

### ORDINARY COUNCILLORS

Councillor	<i>Councillor E.V Wildeman</i>
Councillor	<i>Councillor S.E. Gcabayi</i>
Councillor	<i>Councillor M. M. Mbali</i>
Councillor	<i>Councillor N.C Jacob</i>
Councillor	<i>Councillor L. M. Seyisi</i>
Councillor	<i>Councillor AS Windvogel</i>
Councillor	<i>Councillor D Swarts</i>
Councillor	<i>Councillor X Matyila</i>

### MUNICIPAL MANAGER

*Mr TC Ndlovu*

### CHIEF FINANCIAL OFFICER

*Mr BV Mkhafa*

### REGISTERED OFFICE

*Sewell Street, Plettenberg Bay, 6600  
Private Bag X 1002. Plettenberg Bay, 6600*

### AUDITORS

*Office of the Auditor General*

### PRINCIPLE BANKERS

*Nedbank, Plettenberg Bay*

### ATTORNEYS

*Mosdall, Pama & Cox  
Nandi Bulabula  
Hutchinson*

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

2016 / 2017

## MEMBERS OF THE BITOU LOCAL MUNICIPALITY

### WARD

- 1 Wittedrif/Kurland/Natures Valley/Keurbooms/Cowie/Uplands
- 2 Plettenberg Bay South & North
- 3 Qolweni/Bossiesgif/Pinetrees/Portion of New Horizons
- 4 Portion of New Horizons/Portion of KwaNokuthula
- 5 Kwanokuthula
- 6 Kwanokuthula
- 7 Kranshoek/Harkerville/portion of KwaNokuthula

### COUNCILLOR

*Councillor J Kam Kam*  
*Councillor D Swarts*  
*Councillor X Matyila*  
*Councillor AS Windvogel*  
*Councillor M M Mballi*  
*Councillor S E Gcabayi*  
*Councillor A R Olivier*

### PROPORTIONAL

*Councillor P.M Lobese*  
*Councillor E.V Wildeman*  
*Councillor M Seylasi*  
*Councillor N.C Jacob*  
*Councillor W.J Nel*  
*Councillor N.S Ndayi*

### APPROVAL OF FINANCIAL STATEMENTS


I am responsible for the preparation of these annual financial statements for the year ended 30 June 2017, which are set out on pages 1 to 84 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year ended at 30 June 2017 and is satisfied that the Municipality can continue in operational existence as a going concern for the foreseeable future.

The external auditors are responsible for reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
**Mr TC Ndlovu**  
**Municipal Manager**

31/08/2017  
Date

# BITOU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 R	(Restated) 2016 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>863 413 977</b>	<b>764 174 112</b>
Capital Replacement Reserve	2	83 000 000	65 000 000
Accumulated Surplus		780 413 977	699 174 112
<b>Non-Current Liabilities</b>		<b>227 618 669</b>	<b>213 907 763</b>
Long-term Liabilities	3	129 987 984	124 235 810
Employee benefits	4	97 630 685	89 671 953
<b>Current Liabilities</b>		<b>134 336 806</b>	<b>113 309 024</b>
Consumer Deposits	6	6 224 457	5 913 923
Current Employee benefits	7	22 474 405	18 718 877
Provisions	8	16 283 964	16 829 600
Payables from exchange transactions	9	67 786 568	45 013 722
Unspent Conditional Government Grants and Receipts	10	2 461 793	9 747 606
Unspent Public Contributions	11	272 196	104 051
Operating Lease Liability	22	297 004	427 515
Current Portion of Long-term Liabilities	3	18 536 418	16 553 730
<b>Total Net Assets and Liabilities</b>		<b>1 225 369 452</b>	<b>1 091 390 899</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>1 006 041 966</b>	<b>911 888 807</b>
Property, Plant and Equipment	13	944 124 212	850 663 106
Investment Property	14	55 452 825	55 453 363
Intangible Assets	15	316 123	369 804
Heritage Assets	16	35 193	35 193
Non Current Investment	17	6 102 365	5 352 171
Long-Term Receivables	18	11 248	15 169
<b>Current Assets</b>		<b>219 327 485</b>	<b>179 502 093</b>
Inventory	19	7 818 835	5 220 794
Receivables from exchange transactions	20	32 929 838	29 666 510
Receivables from non-exchange transactions	21	33 467 852	17 945 886
Unpaid Conditional Government Grants and Receipts	10	14 480 577	-
Unpaid Public Contributions	11	0	603 466
Operating Lease Asset	22	273 230	206 364
Taxes	12	4 297 914	4 892 657
Current Portion of Long-term Receivables	18	3 921	3 407
Cash and Cash Equivalents	23	126 055 319	120 963 009
<b>Total Assets</b>		<b>1 225 369 452</b>	<b>1 091 390 899</b>

**BITOU LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 (Actual) R	2016 (Restated) R
<b>REVENUE</b>			
Revenue from Non-exchange Transactions		348 704 205	296 176 325
Taxation Revenue		112 556 121	108 386 833
Property taxes	24	112 556 121	108 386 833
Transfer Revenue		183 161 364	156 647 922
Government Grants and Subsidies-capital	25	81 804 891	48 956 549
Government Grants and Subsidies	25	100 363 103	104 188 207
Public Contributions and Donations	26	993 370	3 503 166
Other Revenue		52 986 721	31 141 570
Actuarial Gain	4	8 461 659	5 630 634
Fines		43 806 052	25 067 530
Contributed Assets		94 753	13 422
Third Party Payments		624 257	429 982
Revenue from Exchange Transactions		282 814 615	250 596 496
Service Charges	27	250 094 254	220 592 611
Rental of Facilities and Equipment		1 462 374	1 693 886
Interest Earned - external investments		10 366 703	8 923 281
Interest Earned - outstanding debtors		6 816 522	5 060 847
Agency Services		1 518 035	1 405 699
Other Income	28	11 508 665	12 587 391
Stock Adjustments		35 689	29 818
Gain on disposal of Property, Plant and Equipment		801 408	211 960
Licences and Permits		210 965	91 003
<b>Total Revenue</b>		<b>631 518 821</b>	<b>546 772 820</b>
<b>EXPENDITURE</b>			
Employee related costs	29	189 744 121	160 688 381
Remuneration of Councillors	30	5 359 837	5 250 182
Debt Impairment	31	35 185 263	21 809 229
Bad Debts Written-off	31	6 016 213	7 810 141
Collection Cost		778 590	1 079 804
Depreciation and Amortisation	32	24 948 555	21 552 309
Impairments/Write-Offs	33	187 896	264 201
Repairs and Maintenance		-	-
Actuarial losses	4	2 337 831	300 778
Finance Charges	34	23 571 648	23 900 903
Bulk Purchases	35	104 253 188	94 110 392
Contracted services		34 305 104	34 092 489
Grants and Subsidies		4 000 000	4 200 000
Loss on Disposal of PPE		2 126 172	905 104
General Expenses	36	99 464 539	94 643 051
<b>Total Expenditure</b>		<b>532 278 956</b>	<b>470 606 964</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>99 239 864</b>	<b>76 165 857</b>

# BITOU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Note	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
		R	R	R
<b>2015</b>				
Balance at 1 JULY 2015		25 000 000	656 275 557	681 275 557
Correction of error		-	6 732 699	6 732 699
<b>2016</b>				
Restated Balance at 1 JULY 2015	37.02	25 000 000	663 008 256	688 008 256
Net Surplus for the year		-	76 165 857	76 165 857
Transfer from CRR		(27 140 083)	27 140 083	(0)
Transfer to CRR		67 140 083	(67 140 083)	-
Restated Balance at 30 JUNE 2016	37.02	65 000 000	699 174 112	764 174 112
<b>2017</b>				
Net Surplus for the year		-	99 239 864	99 239 864
Transfer from CRR-capital expenditure		(24 592 417)	24 592 417	-
Transfer to CRR		42 592 417	(42 592 417)	-
Balance at 30 JUNE 2017		83 000 000	780 413 977	863 413 976

# BITOU LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 JUNE 2017 R	30 JUNE 2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		415 615 152	354 408 571
Government	25.19	159 274 162	147 628 053
Interest		17 183 225	13 984 128
<b>Payments</b>			
Suppliers and employees		(452 258 607)	(385 313 491)
Finance charges	34	(23 571 648)	(23 900 903)
<b>Cash generated by operations</b>	38	<b>116 242 285</b>	<b>106 806 359</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(120 537 591)	(90 537 756)
Purchase of Intangible Assets		(37 167)	(50 000)
Proceeds on Disposal of Assets		2 126 172	635 632
Decrease in non-current receivables		3 407	39 578
Increase in non-current Investments		(750 193)	(5 352 170)
Increase in current Investments			5 182 465
<b>Net Cash from Investing Activities</b>		<b>(119 195 372)</b>	<b>(90 082 250)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid	APP A	(17 263 328)	(14 696 112)
New loans raised	APP A	24 998 191	20 000 000
Increase in Consumer Deposits		310 533	307 249
<b>Net Cash from Financing Activities</b>		<b>8 045 396</b>	<b>5 611 138</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>5 092 309</b>	<b>22 335 246</b>
Cash and Cash Equivalents at the beginning of the year		120 963 009	98 627 763
Cash and Cash Equivalents at the end of the year	39	126 055 319	120 963 009
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>5 092 309</b>	<b>22 335 246</b>



**BITOU LOCAL MUNICIPALITY**  
**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2017**

		ORIGINAL		FINAL		ACTUAL VS
		BUDGET	ADJUSTMENTS	BUDGET	ACTUAL	BUDGET
	Ref.	R	R	R	R	R
<b>STATEMENT OF FINANCIAL POSITION</b>						
Total current assets	C1	111 387 619	11 090 024	122 477 643	219 327 485	96 849 842
Total non- current assets	C2	1 001 725 239	17 853 945	1 019 579 184	1 006 041 966	(13 537 218)
Total current liabilities	C3	84 844 225	14 505 406	99 349 630	134 336 806	34 987 176
Total non- current liabilities	C4	242 064 981	(13 533 992)	228 530 989	227 618 669	(912 319)
<b>Total Net Assets</b>		<b>786 202 652</b>	<b>27 972 556</b>	<b>814 175 208</b>	<b>863 413 977</b>	<b>49 237 768</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

*Grap Reporting Framework*

**Revenue**

Property taxes		115 509 705	(2 192 289)	113 317 416	112 556 121	(761 295)
Government Grants and Subsidies- Capital	C5	56 960 000	26 009 550	82 969 550	81 804 891	(1 164 659)
Government Grants and Subsidies	C6	104 543 183	(6 966 448)	97 576 735	100 363 103	2 786 368
Public Contributions and Donations		2 838 362	(1 425 789)	1 412 573	993 370	(419 203)
Actuarial Gain	C7	0	-	-	8 461 659	8 461 659
Fines	C8	22 016 052	-	22 016 052	43 806 052	21 790 000
Service Charges	C9	238 353 562	8 488 922	246 842 484	250 094 254	3 251 770
Rental of Facilities and Equipment		1 439 570	2 617	1 442 187	1 462 374	20 187
Interest Earned - external						
Investments		5 828 297	2 346 271	8 174 568	10 366 703	2 192 135
Interest Earned - outstanding debtors		4 438 575	2 074 679	6 513 254	6 816 522	303 268
Agency Services		1 219 372	48 989	1 268 361	1 518 035	249 674
Other Income		9 108 505	1 919 108	11 027 613	11 508 665	481 052
Contributed Assets		0	-	-	94 753	94 753
Stock Adjustments		0	-	-	35 689	35 689
Licences and Permits		6 052 396	(3 008 969)	3 043 427	210 965	(2 832 462)
Gain on disposal of Property, Plant and Equipment		222 780	500 220	723 000	801 408	78 408
Third Party Payments		765 872	(3 282)	762 590	624 257	(138 333)
<b>Total Revenue</b>		<b>569 296 231</b>	<b>27 793 579</b>	<b>597 089 810</b>	<b>631 518 821</b>	<b>34 429 011</b>

**BITOU LOCAL MUNICIPALITY**  
**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2017**

		ORIGINAL		FINAL		ACTUAL
		BUDGET	ADJUSTMENTS	BUDGET	ACTUAL	VS
	Ref.	R	R	R	R	BUDGET
						R
<b>Expenditure</b>						
Employee related costs	C10	195 309 495	(5 482 388)	189 827 107	189 744 121	(82 986)
Remuneration of Councillors		5 596 800	(322 200)	5 274 600	5 359 837	85 237
Debt Impairment		31 999 144	-	31 999 144	35 185 263	3 186 119
Bad Debts Written-off	C11	0	-	-	6 016 213	6 016 213
Collection Cost		1 500 000	-	1 500 000	778 590	(721 410)
Depreciation and Amortisation		22 735 518	-	22 735 518	24 948 555	2 213 037
Impairments/Write-Offs		0	-	-	187 896	187 896
Repairs and Maintenance	C12	28 640 350	5 948 707	34 589 057	0	(34 589 057)
Actuarial losses		0	-	-	2 337 831	2 337 831
Finance Charges	C13	15 317 550	(254 233)	15 063 317	23 571 648	8 508 331
Bulk Purchases	C14	89 748 020	11 457 463	101 205 483	104 253 188	3 047 705
Contracted services	C15	22 206 430	10 120 253	32 326 683	34 305 104	1 978 421
Grants and Subsidies		3 631 670	600 000	4 231 670	4 000 000	(231 670)
General Expenses	C16	104 553 399	7 085 954	111 639 353	99 464 539	(12 174 814)
Loss on Disposal of PPE		0	-	-	2 126 172	2 126 172
<b>Total Expenditure</b>		<b>521 238 376</b>	<b>29 153 556</b>	<b>550 391 932</b>	<b>532 278 956</b>	<b>(18 112 976)</b>
<b>Transfers recognised-operational</b>						
<b>Net Surplus for the year</b>		<b>48 057 855</b>	<b>-1 359 977</b>	<b>46 697 878</b>	<b>99 239 864</b>	<b>52 541 986</b>
<b>National Treasury Reporting Framework</b>						
<b>Revenue</b>						
Property rates		115 509 705	-2 192 289	113 317 416	112 556 121	-761 295
Service charges		238 353 562	8 488 922	246 842 484	250 094 254	3 251 770
Investment revenue		5 828 297	2 346 271	8 174 568	10 366 703	2 192 135
Transfers recognised-operational		104 543 183	-6 966 448	97 576 735	100 363 103	2 786 368
Other own revenue		48 101 484	107 573	48 209 057	76 333 749	28 124 692
<b>Total Revenue (excluding capital transfers)</b>		<b>512 336 231</b>	<b>1 784 029</b>	<b>514 120 260</b>	<b>549 713 930</b>	<b>35 593 670</b>
<b>Expenditure</b>						
Employee cost		195 309 495	(5 482 388)	189 827 107	189 744 121	(82 986)
Remuneration of councillors		5 596 800	(322 200)	5 274 600	5 359 837	85 237
Depreciation & asset impairment		22 735 518	-	22 735 518	24 948 555	2 213 037
Finance charges		15 317 550	(254 233)	15 063 317	23 571 648	8 508 331
Transfers and grants		3 631 670	600 000	4 231 670	4 000 000	(231 670)
Other expenditure		278 647 343	34 612 377	313 259 720	284 654 796	(28 604 924)
<b>Total Expenditure</b>		<b>521 238 376</b>	<b>29 153 556</b>	<b>550 391 932</b>	<b>532 278 956</b>	<b>(18 112 976)</b>
<b>Surplus</b>		<b>(8 902 145)</b>	<b>(27 369 527)</b>	<b>(36 271 672)</b>	<b>17 434 974</b>	<b>53 706 646</b>
Transfers recognised-capital		56 960 000	26 009 550	82 969 550	81 804 891	(1 164 659)
<b>Surplus for the year</b>		<b>48 058 855</b>	<b>(1 360 977)</b>	<b>46 697 878</b>	<b>99 239 864</b>	<b>52 541 986</b>

**BITOU LOCAL MUNICIPALITY**  
**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2017**

		ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS BUDGET R
<b>CASH FLOW STATEMENT</b>						
Net Cash from Operating Activities	C17	85 702 185	(6 828 333)	78 873 852	116 242 285	37 368 433
Net Cash from Investing Activities	C18	(115 250 529)	(19 986 933)	(135 237 462)	(119 195 372)	16 042 090
Net Cash from Financing Activities	C19	7 944 438	(107 664)	7 836 774	8 045 396	208 623
Net increase/(decrease)in cash and cash equivalents		<u>(21 602 906)</u>	<u>(26 922 931)</u>	<u>(48 526 837)</u>	<u>5 092 309</u>	<u>53 619 146</u>
<b>OPERATING EXPENDITURE BY VOTE</b>						
Community Services		153 794 519	8 067 554	161 862 073	163 829 090	1 967 017
Corporate Services		33 313 598	1 507 750	34 821 348	32 266 840	(2 554 508)
Council		6 352 151	(116 711)	6 235 440	6 195 884	(39 556)
Financial Services		76 690 181	865 804	77 555 985	47 246 534	(30 309 451)
Strategic Services		31 609 760	1 386 814	32 996 574	30 440 288	(2 556 286)
Office of the Municipal Manager		20 790 167	5 539 920	26 330 087	25 416 292	(913 795)
Municipal Services and Infrastructure Development		243 689 356	11 902 425	255 591 781	238 376 238	(17 215 543)
		<u>566 239 732</u>	<u>29 153 556</u>	<u>595 393 288</u>	<u>543 771 166</u>	<u>(51 622 122)</u>
<b>CAPITAL EXPENDITURE BY VOTE</b>						
Community Services	C20	18 529 032	12 442 958	30 971 990	27 861 473	3 110 517
Corporate Services		1 669 000	110 000	1 779 000	1 771 368	7 632
Council		-	-	-	-	-
Financial Services		1 510 000	739 370	2 249 370	293 955	1 955 415
Municipal Services and Infrastructure Development	C21	91 651 268	4 465 757	96 117 025	89 212 191	6 904 834
Strategic Services		2 705 000	1 593 186	4 298 186	1 530 522	2 767 664
		<u>116 064 300</u>	<u>19 351 271</u>	<u>135 415 571</u>	<u>120 669 508</u>	<u>14 746 063</u>

*Refer to note 55 for explanations of material variances between the original budget and final budget.*

*Refer to note 56 for explanations of material variances between actual amounts and the final budget.*

*Material variances are considered as variances larger than R5.3 million*

## **BITOU LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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#### **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

##### **1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

##### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

##### **1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

##### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

## **BITOU LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

# BITOU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2016/17 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>GRAP 18</b> (Original – Feb 2011)	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<b>1 April 2015</b>
<b>GRAP 20</b> (Original – June 2011)	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> (Original – Aug 2013)	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by a public sector entity as grantor.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>IGRAP 17</b>	<p><b><u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in a Asset</u></b></p> <p>This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<b>Statutory Receivables</b> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy</p>	<b>Unknown</b>
<b>GRAP 109</b>	<b><u>Accounting by Principles and Agents</u></b> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.9. RESERVES

### 1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

## 1.10. LEASES

### 1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the lower of the asset fair value and sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

#### **1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.



## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### 1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### 1.14.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.3 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.14.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.14.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### 1.14.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### 1.15. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

#### 1.16. PROPERTY, PLANT AND EQUIPMENT

##### 1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if,

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.16.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### **1.16.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

**BITOU LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Asset Class & Type	Expected Useful Life
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**Infrastructure**

Electricity reticulation	8-101
Refuse sites	5- 100
Roads, Pavements, Bridge,	6-100
Sewerage Purification	9-100
Water Reservoirs & reticulation	8-100

**Community Assets**

Cemeteries	10-100
Community Halls	5-100
Libraries	5-100
Sport grounds	5-100
Parks	5-100

**Land and Buildings**

Buildings	8-100
Land	Indefinite

**Other Assets**

Office Equipment	3-30
Other Land & Buildings	10-15
Other Motor Vehicles	4-30
Plant and Equipment	5-30
Security Measures	5-30
Specialised Vehicles	8-30

**Leased Assets**

Leased Assets	3-6
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## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### **1.16.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

### **1.17. INTANGIBLE ASSETS**

#### **1.17.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

#### 1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

### 1.18. INVESTMENT PROPERTY

#### 1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

#### 1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009



## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### **1.19 HERITAGE ASSETS**

##### **1.19.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

##### **1.19.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

##### **1.19.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

##### **1.19.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

##### **1.19.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

##### 1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### 1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

##### (a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

##### (b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.21. INVENTORIES

##### 1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### 1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Fuel held for sale is measured annually at the reporting date by way of a dip reading.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### 1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### 1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### 1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### 1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 1.22.3 De-recognition of Financial Instruments

##### 1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.22.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.22.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.23 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### **1.23.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

#### **1.23.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.



## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

#### 1.24. REVENUE

##### 1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.25 TRANSFER OF FUNCTION (Municipality as the acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

#### 1.26 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### 1.31.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### 1.31.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

##### 1.31.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:



## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- 
- cost of items with a similar nature currently in the Municipality's asset register;
  - cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
  - cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.31.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### 1.31.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.31.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.31.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### 1.31.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### 1.31.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### 1.31.10 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

#### 1.31.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.31.12 Provision for Clearing of Alien Vegetation

The Economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared.

#### 1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

#### 1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### 1.34. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### 1.35. TAXATION

##### 1.35.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

##### 1.35.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

## BITOU LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

#### **1.35.3 Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity

<b>2</b>	<b>NET ASSET RESERVES</b>	<b>2017</b>	<b>2016</b>
	Capital Replacement Reserve	<b>R</b>	<b>R</b>
		83 000 000	65 000 000
		<u>83 000 000</u>	<u>65 000 000</u>
<b>3</b>	<b>LONG-TERM LIABILITIES</b>		
	Annuity Loans - At amortised cost	146 561 700	137 041 340
	Capitalised Lease Liability - At amortised cost	1 962 703	3 748 200
		<u>148 524 403</u>	<u>140 789 540</u>
	Current Portion transferred to Current Liabilities	(18 536 418)	(16 553 730)
	Annuity Loans - At amortised cost	(16 573 715)	(14 768 233)
	Capitalised Lease Liability - At amortised cost	(1 962 703)	(1 785 497)
		<u>(18 536 418)</u>	<u>(16 553 730)</u>
	<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>129 987 984</b>	<b>124 235 810</b>

For detail of the carrying amounts of the loans - see Appendix A

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year

Payable within two to five years

Payable after five years

**Minimum  
annuity payments**

32 002 256 28 760 901

115 302 279 122 958 727

74 537 041 60 680 682

221 841 576 212 400 310

(75 279 876) (75 358 971)

146 561 700 137 041 340

**Less:** Future finance obligations

**Present value of annuity obligations**

#### Development Bank Loans

Various structured loans have been taken up with DBSA, with an original value totalling R 75.300 million. One of the DBSA loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal instalments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a period which varies between 15-20 years with a maturity date ranging from 31/12/2019 - 31/12/2029 respectively. Interest rates applicable on all loans vary from 9.00% to 12.00% . Apart from the below mentioned loans, all other loans are unsecured.

A non current investment to establish a Sinking Fund, amounted to R 5.244 million was re-invested with Nedbank Ltd to serve as a contractual collateral on loan accounts WC 13665 and WC 100225 from Development Bank of Southern Africa

#### Standard Bank

Nine loans originally amounting to a total of R 99.890 million had been taken up from Standard bank. These loans will be paid back 6 monthly on a "fixed capital plus interest" basis over a period which varies between 5 and 10 years, with maturity dates from 30/06/2017 to 30/06/2023 respectively. Interest rates applicable to these loans varying between 10.00% and 11.45% respectively. The loans are unsecured.

#### Nedbank

A loan of R 10.000 million has been taken up from Nedbank. This loan will be paid monthly on equal instalments based on a fixed interest rate over a ten year period with maturity date of 30/06/2025. Interest rate applicable to this loan amounts to 11.81%.The loan is unsecured.

#### Absa

An existing loan of R 20.000 million and a new loan amounting to R24.998 have been taken up from ABSA. The loans will be paid 6 monthly on equal instalments based on a fixed interest rate over a ten year period with maturity date of 30/06/2026 and 30/06/2027 respectively. Interest rates applicable to these loans varying between 10.04% and 10.36% respectively. These loans is unsecured.

The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under finance leases are scheduled below:

**Minimum  
lease payments**

Amounts payable under finance leases:

Payable within one year

Payable within two to five years

Payable after five years

2 065 160 2 065 160

2 065 160 2 065 160

2 065 160 4 130 320

(102 457) (382 121)

1 962 703 3 748 200

**Less:** Future finance obligations

**Present value of lease obligations**

Leases are secured by property, plant and equipment - Note 13

The municipality has entered into lease agreements with Avis for motor vehicle rentals The rental periods are for 36 months, starting 1 July 2015. Rental instalments are payable monthly .No escalation is applicable.

4

EMPLOYEE BENEFITS			
Post Retirement Benefits - Refer to Note 4.1		92 364 644	86 575 573
Long Service Awards - Refer to Note 4.2		5 266 040	3 096 380
<b>Total Non-current Employee Benefit Liabilities</b>		<b>97 630 685</b>	<b>89 671 953</b>
<b><u>Post Retirement Benefits</u></b>			
Balance 1 July		87 764 161	81 064 966
Contribution for the year		15 778 438	13 467 612
Expenditure for the year		(1 310 493)	(1 137 783)
Actuarial Loss/(Gain)		(8 461 659)	(5 630 634)
<b>Total post retirement benefits 30 June</b>		<b>93 770 446</b>	<b>87 764 161</b>
<b>Less:</b> Transfer of Current Portion - Note 7		(1 405 802)	(1 188 588)
<b>Balance 30 June</b>		<b>92 364 644</b>	<b>86 575 573</b>
<b><u>Long Service Awards</u></b>			
Balance 1 July.		3 378 046	3 185 513
Contribution for the year.		664 360	589 277
Expenditure for the year.		(315 083)	(697 522)
Actuarial Loss/(Gain)		2 337 831	300 778
<b>Total long service 30 June</b>		<b>6 065 154</b>	<b>3 378 046</b>
<b>Less:</b> Transfer of Current Portion - Note 7		(799 114)	(281 666)
<b>Balance 30 June</b>		<b>5 266 040</b>	<b>3 096 380</b>
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>			
Balance 1 July		91 142 207	84 250 480
Contribution for the year		16 442 798	14 056 889
Expenditure for the year		(1 625 576)	(1 835 305)
Actuarial Gain/(Loss)		(6 123 828)	(5 329 856)
<b>Total employee benefits 30 June</b>		<b>99 835 601</b>	<b>91 142 207</b>
<b>Less:</b> Transfer of Current Portion - Note 7		(2 204 916)	(1 470 254)
<b>Balance 30 June</b>		<b>97 630 685</b>	<b>89 671 953</b>

4.1

Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	467	415
In-service (employee)- non members	47	37
Continuation members (e.g. Retirees, widows, orphans)	36	36
<b>Total Members</b>	<b>550</b>	<b>488</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	72 511 038	68 218 893
In -service non-members	3 009 265	2 450 618
Continuation members	18 250 143	17 094 650
<b>Total Liability-unfunded</b>	<b>93 770 446</b>	<b>87 764 161</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2015	2014	2013
		R	R
In-service members	64 884 127	55 890 289	46 655 013
In -service non-members	-		
Continuation members	16 180 839	15 203 669	12 467 444
<b>Total Liability</b>	<b>81 064 966</b>	<b>71 093 958</b>	<b>59 122 457</b>

	2017	2016	2015	2014
	(Rm)	(Rm)	(Rm)	(Rm)
Experience adjustments were calculated as follows				
Liabilities (Gain)/loss	4.979	-5.316	-0.912	-2.756

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonita's;  
LA Health  
Samwu  
Keyhealth.  
Hosmed

# EMPLOYEE BENEFITS (CONTINUE)

Key actuarial assumptions used:

## i) Rate of Interest

	2017 %	2016 %
Discount rate	9.99	9.27
Health Care Cost Inflation Rate	8.27	8.38
Net Effective Discount Rate	1.59	0.82

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

## ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries .  
The SA 85-90 table was used by the actuaries for current employees

## iii) Normal retirement age

It has been assumed that in-service members will retire at an average age of 57, which then implicitly allows for expected rates of early and ill-health retirement.

	2017 R	2016 R
<b>The amount recognised in the Statement of Financial Position is as follow:</b>		
Present value of fund obligations	93 770 446	87 764 161
<b>Net liability-unfunded</b>	<b>93 770 446</b>	<b>87 764 161</b>
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	87 764 161	81 064 966
Total expenses	14 467 944	12 329 829
Current service cost (Included in Employee Cost in the Statement of Financial Performance)	7 696 513	6 140 860
Interest Cost (Included in Finance Charges in the Statement of Financial Performance)	8 081 925	7 326 752
Benefits Paid	(1 310 493)	(1 137 783)
Actuarial Gain/(Losses)	(8 461 659)	(5 630 634)
Present value of fund obligation at the end of the year	93 770 446	87 764 161
<b>Less:</b> Transfer of Current Portion - Note 7	<b>(1 405 802)</b>	<b>(1 188 588)</b>
<b>Balance 30 June</b>	<b>92 364 644</b>	<b>86 575 573</b>

## Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	75.520	18.250	93.770	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1.00%	90.250	20.255	110.505	18.00
Health care inflation	-1.00%	63.787	16.547	80.334	(14.00)
Discount Rate	1.00%	64.045	18.586	80.631	(14.00)
Discount Rate	-1.00%	90.140	20.241	110.381	18.00
Post-retirement mortality	-1 year	77.676	18.922	96.598	3.00
Average retirement age	-1 year	82.949	18.250	101.199	8.00
Membership after retirement	-10.00%	67.703	18.250	85.953	(8.00)

Assumption	Change	Current service Cost (R)	Interest Cost (R)	Total	% change
Central Assumption		7.697	8.082	15.778	
Health care inflation	1.00%	9.496	9.562	19.058	21.00
Health care inflation	-1.00%	9.496	9.562	19.058	21.00
Discount rate	1.00%	6.377	7.661	14.039	(11.00)
Discount rate	-1.00%	9.411	8.532	17.944	14.00
Post-retirement mortality	-1 year	7.933	8.353	16.286	3.00
Average retirement age	-1 year	8.395	8.577	16.973	8.00
Withdrawal Rate	50.00%	6.893	7.399	14.292	(9.00)

#### 4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

2017	2016
R	R

514	452
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Key actuarial assumptions used:

##### i) Rate of Interest

	2017 %	2016 %
Discount rate	8.34	8.48
General Salary Inflation (long-term)	6.15	7.14
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05	1.25

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

2017	2016
R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	6 065 154	3 378 046
<b>Net liability-unfunded</b>	<b>6 065 154</b>	<b>3 378 046</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2015 R	2014 R	2013 R
<b>Total Liability-unfunded</b>	<b>3 185 513</b>	<b>3 083 706</b>	<b>3 250 052</b>

	2017 R	2016 R	2015 R	2014 R
Experience adjustments were calculated as follows				
Liabilities (Gain)/loss	2 581 119	107 734	50 941	261 278

##### Reconciliation of present value of fund obligation:

	2017 R	2016 R
Present value of fund obligation at the beginning of the year	3 378 046	3 185 513
Total expenses	349 277	(108 245)
Current service cost (Included in Employee Cost in the Statement of Financial Performance)	389 726	351 149
Interest Cost (Included in Finance Charges in the Statement of Financial Performance)	274 634	238 128
Benefits Paid	(315 083)	(697 522)
Actuarial Losses/(Gain)	2 337 831	300 778
Present value of fund obligation at the end of the year	6 065 154	3 378 046
<b>Less: Transfer of Current Portion - Note 7</b>	<b>(799 114)</b>	<b>(281 666)</b>
<b>Balance 30 June</b>	<b>5 266 040</b>	<b>3 096 380</b>

##### Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		6.065	
General salary inflation	1.00%	6.400	6.00
General salary inflation	-1.00%	5.759	(5.00)
Discount rate	1.00%	5.741	(5.00)
Discount rate	-1.00%	6.426	6.00
Average retirement age	-2yrs	5.160	(15.00)
Average retirement age	2yrs	7.173	18.00
Withdrawal rates	-50.00%	7.398	22.00

#### 4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.



### CAPE JOINT PENSION FUND

The contribution rate payable is 9.00% by members and 26.77% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 101.40% (30 June 2014 - 106.20%).

Contributions paid recognised in the Statement of Financial Performance

2017	2016
R	R
151 709	184 106

### CAPE RETIREMENT FUND

The contribution rate payable is 9.00% by members and 18.00% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.10 %.

Contributions paid recognised in the Statement of Financial Performance

15 090 352	12 742 409
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### DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

726 846	502 709
---------	---------

## 5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites  
Provision for Cleaning of Alien Vegetation

**Total Non-current Provisions**

-	-
-	-
-	-

### Landfill Sites

Balance 1 July..  
Unwinding of discounted interest  
Additions  
Expenditure for the year..

**Total provision 30 June**

**Less:** Transfer of Current Portion to Current Provisions - Note 8

**Balance 30 June**

2017	2016
R	R
15 391 540	13 672 613
181 744	1 718 927
(1 091 057)	
<b>14 482 227</b>	<b>15 391 540</b>
<b>(14 482 227)</b>	<b>(15 391 540)</b>
-	-

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the site is as follows:

Decommission date	2016
Cost of rehabilitation	14 482 227

Decommissioning started during 2016 and is still in progress

### Clearing of Alien Vegetation

Balance 1 July..  
Contribution for the year..  
Expenditure for the year..  
**Total provision 30 June**

**Less:** Transfer of Current Portion to Current Provisions - Note 8

**Balance 30 June**

The current portions of the provisions for the Landfill site and the clearing of Alien Vegetation representing the possible outflow of funds in the next financial year to execute the purpose of the provisions

1 438 061	1 319 303
363 677	118 758
-	-
<b>1 801 738</b>	<b>1 438 061</b>
<b>(1 801 738)</b>	<b>(1 438 061)</b>
-	-

## 6 CONSUMER DEPOSITS

Electricity and Water

**Total Consumer Deposits**

6 224 457	5 913 923
<b>6 224 457</b>	<b>5 913 923</b>
<b>246 125</b>	<b>246 125</b>

### Guarantees held in lieu of Electricity and Water Deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

**CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 4  
 Current Portion of Long-Service Provisions - Note 4  
 Staff Leave  
 Bonuses  
 Performance Bonus

2017	2016
R	R
1 405 802	1 188 588
799 114	281 666
15 508 051	13 253 781
4 197 603	3 779 744
563 836	215 098

**Total Current Employee Benefits**

<b>22 474 405</b>	<b>18 718 877</b>
-------------------	-------------------

The movement in current employee benefits are reconciled as follows:

**Staff Leave**

Balance at beginning of year  
 Contribution to current portion  
 Expenditure incurred

13 253 781	11 257 502
4 667 470	3 427 631
(2 413 200)	(1 431 352)

Balance at end of year

<b>15 508 051</b>	<b>13 253 781</b>
-------------------	-------------------

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**Bonuses.**

Balance at beginning of year.  
 Contribution to current portion.  
 Expenditure incurred.

3 779 744	2 989 990
7 341 132	7 073 477
(6 923 273)	(6 283 723)

Balance at end of year

<b>4 197 603</b>	<b>3 779 744</b>
------------------	------------------

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**Performance Bonus**

Balance at beginning of year..  
 Contribution to current portion..  
 Expenditure Incurred..

215 098	-
348 738	215 098
-	-

Balance at end of year

<b>563 836</b>	<b>215 098</b>
----------------	----------------

**8 PROVISIONS**

Current Portion of Clearing Allian Vegetation -Note 5  
 Current Portion of Rehabilitation of Landfill-site -Note 5

1 801 738	1 438 061
14 482 227	15 391 540

**Total Provisions**

<b>16 283 964</b>	<b>16 829 601</b>
-------------------	-------------------

**9 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables  
 Pre-paid electricity  
 Other Creditors  
 Payments received in advance  
 Retentions

50 431 350	28 308 459
382 722	319 956
1 300 913	1 036 146
8 559 172	8 462 822
7 112 412	6 886 339

**Total Trade Payables**

<b>67 786 568</b>	<b>45 013 723</b>
-------------------	-------------------

Payables are being recognised net of any discounts.

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

All payables are unsecured.

**10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS****Unspent Grants**

Provincial and Government Grants

2 461 792	9 747 606
-----------	-----------

**Less:** Unpaid Grants

14 480 577	-
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National Government Grants

14 480 577	-
------------	---

**Total Conditional Grants and Receipts**

<b>(12 018 784)</b>	<b>9 747 606</b>
---------------------	------------------

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

**11 UNSPENT PUBLIC CONTRIBUTIONS**

Social responsibility	-	104 051
SASSA	(0)	(603 466)
Fire Disaster	272 196	-
Total Unspent Public Contributions	<u>272 196</u>	<u>(499 415)</u>

**Reconciliation of public contributions**

Opening balance	(499 414)	104 052
Contributions received	2 003 104	-
Conditions met - Transferred to revenue	<u>(1 127 442)</u>	<u>(603 466)</u>
Closing balance	<u>376 248</u>	<u>(499 414)</u>

**12 TAXES**

**VAT RECEIVABLE**

VAT Payable	(12 381 181)	(6 154 253)
VAT Receivable	16 679 094	11 046 910
Total VAT receivable	<u>4 297 914</u>	<u>4 892 657</u>

**NET VAT RECEIVABLE/(PAYABLE)**

4 297 914      4 892 657

VAT is receivable/payable on the cash basis.

**13 PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

**BITOU MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**13 PROPERTY, PLANT AND EQUIPMENT**  
**30 JUNE 2017**

**Reconciliation of Carrying Value**

	Operating Balance R	Corrections	Restated Opening Balance	Cost	Under Construction	Write off/De-recognition R	Disposals	Closing Balance R	Opening Balance R	Corrections	Restated Opening Balance	Depreciation R	Write off/De-recognition R	Closing Depreciation R	Accumulated Depreciation and Impairment Losses	Restated Opening Balance	Corrections	Closing Balance	Carrying Value R
<b>Land and Buildings</b>																			
Land	257 076 062	-	308 352 682	22 755 061	2 187 380	-	-	333 296 022	26 679 779	-	26 679 779	317 165	-	26 996 974	7 874 905	-	-	34 871 879	236 424 143
Buildings	50 076 500	-	257 076 062	18 202 952	50 076 500	2 187 380	-	57 416 977	26 679 779	-	26 679 779	317 165	-	26 996 974	7 874 905	-	-	34 871 879	236 424 143
<b>Infrastructure</b>																			
Electricity Reclamation	870 111 081	-	870 111 081	55 674 025	23 248 463	-	3 177 052	745 054 548	155 800 362	-	155 800 362	17 358 118	-	1 103 914	471 822 985	-	-	27 812 398	29 004 579
Roads, Pavements, Bridges & Storm	123 744 125	-	123 744 125	8 243 051	4 075 043	-	-	136 002 849	21 547 782	-	21 547 782	2 589 060	-	-	24 137 745	-	-	171 822 965	579 831 902
Water	213 580 492	-	213 580 492	35 049 713	2 949 762	-	2 680 679	249 469 204	52 380 091	-	52 380 091	5 878 244	-	-	813 680	57 423 555	-	57 423 555	192 066 739
Relief Silt	20 571 556	-	20 571 556	2 255 547	-	-	-	22 827 103	-	-	-	81 746	-	-	1 363 426	1 363 426	-	1 363 426	21 485 677
Sewerage Purification & Retention	116 988 488	-	116 988 488	8 316 960	9 316 960	-	4 777 379	130 532 588	31 174 700	-	31 174 700	3 053 405	-	-	55 857 608	55 857 608	-	55 857 608	52 074 088
Water Reservoirs & Retention	195 121 477	-	195 121 477	4 319 156	7 988 623	-	-	207 307 558	50 054 679	-	50 054 679	4 889 200	-	-	56 038 879	56 038 879	-	56 038 879	132 059 613
Other	57 543	-	57 543	37 202	-	-	-	135 146	-	-	-	-	-	-	-	-	-	-	135 146
<b>Community Assets</b>																			
Community Halls	46 348 901	-	46 348 901	3 012 337	233 589	-	-	50 492 819	14 173 625	-	14 173 625	1 521 095	-	-	15 885 520	-	-	16 685 520	34 797 359
Libraries	2 561 085	-	2 561 085	684 13	233 589	-	-	2 991 985	2 252 853	-	2 252 853	57 506	-	-	2 310 359	-	-	2 310 359	231 027
Sport Grounds	1 720 774	-	1 720 774	17 741 174	-	-	-	19 461 948	2 429 401	-	2 429 401	576 843	-	-	3 006 344	-	-	3 006 344	15 741 161
Parks	2 020 557	-	2 020 557	3 050 241	-	-	-	5 070 798	6 945 509	-	6 945 509	702 742	-	-	7 648 251	-	-	7 648 251	15 741 161
Cemeteries	2 728 013	-	2 728 013	129 000	-	-	-	2 857 013	1 758 931	-	1 758 931	163 338	-	-	3 021 274	-	-	3 021 274	15 741 161
<b>Lease Assets</b>																			
Motor Vehicles	5 242 925	-	5 242 925	-	-	-	-	5 242 925	1 645 776	-	1 645 776	888 918	-	-	2 542 295	-	-	2 542 295	2 700 631
Office Machines	5 242 925	-	5 242 925	-	-	-	-	5 242 925	1 645 777	-	1 645 777	888 918	-	-	2 542 295	-	-	2 542 295	2 700 631
<b>Other Assets</b>																			
Office Equipment	43 038 988	-	43 038 988	12 822 511	-	-	818 027	727 047	19 065 128	-	19 065 128	4 703 344	-	-	644 013	22 544 328	-	22 544 328	34 370 098
Plant and Equipment	17 113 118	-	17 113 118	1 077 905	-	-	-	18 191 023	7 814 934	-	7 814 934	282 702	-	-	1 704 459	-	-	1 704 459	8 425 270
Security Measures	6 120 633	-	6 120 633	1 075 161	-	-	-	7 195 794	3 119 420	-	3 119 420	950 409	-	-	8 684 490	-	-	8 684 490	3 559 450
Specialised Vehicles	846 007	-	846 007	159 665	-	-	-	1 005 672	371 084	-	371 084	80 516	-	-	442 479	-	-	442 479	566 571
Other Motor Vehicles	0 451 463	-	0 451 463	3 576 301	-	-	-	10 027 764	1 097 253	-	1 097 253	463 529	-	-	2 460 778	-	-	2 460 778	7 566 080
Other Land and Buildings	13 044 503	-	13 044 503	5 433 160	-	-	-	20 341 134	5 744 299	-	5 744 299	1 824 050	-	-	7 390 005	-	-	7 390 005	12 044 503
	10 384	-	10 384	-	-	-	-	10 384	6 159	-	6 159	98	-	-	8 548	-	-	8 548	1 916
<b>Total</b>	<b>1 075 900 579</b>	<b>-</b>	<b>1 075 900 579</b>	<b>94 964 874</b>	<b>25 687 470</b>	<b>518 027</b>	<b>3 904 000</b>	<b>1 191 000 796</b>	<b>217 152 589</b>	<b>-</b>	<b>217 152 589</b>	<b>24 857 189</b>	<b>630 131</b>	<b>1 777 027</b>	<b>239 081 880</b>	<b>7 874 905</b>	<b>-</b>	<b>7 874 905</b>	<b>944 124 211</b>

**30 JUNE 2016**

**Reconciliation of Carrying Value**

	Operating Balance R	Corrections - see note 37	Restated Opening Balance	Cost	Under Construction	Write off/De-recognition R	Impairments	Closing Balance R	Opening Balance R	Corrections - see note 37	Restated Opening Balance	Depreciation R	Write off/De-recognition R	Closing Depreciation R	Accumulated Depreciation and Impairment Losses	Restated Opening Balance	Corrections - see note 38	Closing Balance	Carrying Value R
<b>Land and Buildings</b>																			
Land	261 710 079	-	261 710 079	3 227 928	1 419 040	-	-	303 352 042	28 002 045	-	28 002 045	176 492	-	-	26 679 779	7 874 905	-	34 554 684	273 797 688
Buildings	240 089 274	-	240 089 274	13 422	-	-	-	257 076 002	30 076 580	-	30 076 580	206 380	-	-	26 679 779	7 059 481	-	27 495 203	250 618 611
<b>Infrastructure</b>																			
Electricity Reclamation	654 143 951	-	654 143 951	39 005 391	33 688 622	-	631 778	670 111 081	140 047 277	-	140 047 277	14 205 906	-	-	155 800 361	-	-	155 800 361	514 610 720
Roads, Pavements, Bridges & Storm	80 148 174	-	80 148 174	8 620 832	12 503 535	-	-	123 744 125	17 548 323	-	17 548 323	1 971 466	-	-	21 547 782	-	-	21 547 782	102 166 343
Water	151 550 401	-	151 550 401	8 700 024	10 741 190	-	-	213 580 492	47 002 727	-	47 002 727	4 401 065	-	-	52 380 091	-	-	52 380 091	181 239 591
Relief Silt	9 068 546	-	9 068 546	10 573 010	-	-	-	20 571 556	17 570	-	17 570	444 548	-	-	402 118	-	-	402 118	20 109 438
Sewerage Purification & Retention	108 023 480	-	108 023 480	3 254 339	4 274 048	-	522 641	116 988 488	20 431 334	-	20 431 334	2 769 405	-	-	305 122	-	-	31 174 700	55 811 688
Water Reservoirs & Retention	195 121 477	-	195 121 477	4 319 156	7 988 623	-	-	207 307 558	50 054 679	-	50 054 679	4 889 200	-	-	56 038 879	-	-	56 038 879	145 000 798
Other	57 543	-	57 543	37 202	-	-	-	135 146	-	-	-	-	-	-	-	-	-	-	135 146
<b>Community Assets</b>																			
Community Halls	46 348 901	-	46 348 901	3 012 337	233 589	-	-	50 492 819	14 173 625	-	14 173 625	1 521 095	-	-	15 885 520	-	-	16 685 520	34 797 359
Libraries	2 561 085	-	2 561 085	684 13	233 589	-	-	2 991 985	2 252 853	-	2 252 853	57 506	-	-	2 310 359	-	-	2 310 359	231 027
Sport Grounds	1 720 774	-	1 720 774	17 741 174	-	-	-	19 461 948	2 429 401	-	2 429 401	576 843	-	-	3 006 344	-	-	3 006 344	15 741 161
Parks	2 020 557	-	2 020 557	3 050 241	-	-	-	5 070 798	6 945 509	-	6 945 509	702 742	-	-	7 648 251	-	-	7 648 251	15 741 161
Cemeteries	2 728 013	-	2 728 013	129 000	-	-	-	2 857 013	1 758 931	-	1 758 931	163 338	-	-	3 021 274	-	-	3 021 274	15 741 161
<b>Lease Assets</b>																			
Motor Vehicles	5 242 925	-	5 242 925	-	-	-	-	5 242 925	1 645 776	-	1 645 776	888 918	-	-	2 542 295	-	-	2 542 295	2 700 631
Office Machines	5 242 925	-	5 242 925	-	-	-	-	5 242 925	1 645 777	-	1 645 777	888 918	-	-	2 542 295	-	-	2 542 295	2 700 631
<b>Other Assets</b>																			
Office Equipment	43 038 988	-	43 038 988	12 822 511	-	-	818 027	727 047	19 065 128	-	19 065 128	4 703 344	-	-	644 013	22 544 328	-	22 544 328	34 370 098
Plant and Equipment	17 113 118	-	17 113 118	1 077 905	-	-	-	18 191 023	7 814 934	-	7 814 934	282 702	-	-	1 704 459	-	-	1 704 459	8 425 270
Security Measures	6 120 633	-	6 120 633	1 075 161	-	-	-	7 195 794	3 119 420	-	3 119 420	950 409	-	-	8 684 490	-	-	8 684 490	3 559 450
Specialised Vehicles	846 007	-	846 007	159 665	-	-	-	1 005 672	371 084	-	371 084	80 516	-	-	442 479	-	-	442 479	566 571
Other Motor Vehicles	0 451 463	-	0 451 463	3 576 301	-	-	-	10 027 764	1 097 253	-	1 097 253	463 529	-	-	2 460 778	-	-	2 460 778	7 566 080
Other Land and Buildings	13 044 503	-	13 044 503	5 433 160	-	-	-	20 341 134	5 744 299	-	5 744 299	1 824 050	-	-	7 390 005	-	-	7 390 005	12 044 503
	10 384	-	10 384	-	-	-	-	10 384	6 159	-	6 159	98	-	-	8 548	-	-	8 548	1 916
<b>Total</b>	<b>1 075 900 579</b>	<b>-</b>	<b>1 075 900 579</b>	<b>94 964 874</b>	<b>25 687 470</b>	<b>518 027</b>	<b>3 904 000</b>	<b>1 191 000 796</b>	<b>217 152 589</b>	<b>-</b>	<b>217 152 589</b>	<b>24 857 189</b>	<b>630 131</b>	<b>1 777 027</b>	<b>239 081 880</b>	<b>7 874 905</b>	<b>-</b>	<b>7 874 905</b>	<b>944 124 211</b>

	2017 R	2016 R
<b>13 Assets pledged as security:</b>		
<b>13.1 All the assets (Vehicles and Photostat Machines) which are obtained by financial leases are pledged as security. The total carrying amount of these assets :</b>	<b>2 700 631</b>	<b>3 599 149</b>
<b>13.2 Impairment of property, plant and equipment for the year</b> Impairment charges on Property, Plant and Equipment recognised in the Statement of Financial Performance	-	-
<b>13.3 Capital commitments</b> Capital commitments applicable- see note 45	14 315 908	47 337 675
<b>13.4 Effect of change in accounting estimates</b> <b>Change in estimates in terms of GRAP 3</b> The useful life's of the following assets were adjusted for further periods. The changes are likely to remain in place for the next two years.		
Depreciation after adjustments		231 494.52
Office equipment	-	-
Other Land and Buildings	159 716	-
Other Motor Vehicles	925 017	12 167.39
Plant & equipment	63 444	8 848.80
Security Measures	18 729	205.73
Cemetery	3 961	5 300
Community Halls	4 322	13 946
Electricity Reticulation	135	19 128
Parks	3 702	7 792
Roads Pavements Bridges & Stormwater	4 972	99 985
Sewerage Purification & Reticulation	-	123 339
Sports Ground	2 548	11 671
Water Reservoirs & Reticulation	16 597	134 782
	<b>1 203 142</b>	<b>668 660</b>
Depreciation before adjustments		
Office equipment	248 016	379 334.65
Other Land and Buildings	-	-
Other Motor Vehicles	1 682 677	20 796.51
Plant & equipment	101 103	16 932.96
Security Measures	26 601	351.63
Cemetery	5 300	21 095.77
Community Halls	5 784	39 773.04
Electricity Reticulation	181	47 543.96
Parks	4 954	25 558.96
Roads Pavements Bridges & Stormwater	8 493	216 074.79
Sewerage Purification & Reticulation	-	245 716.20
Sports Ground	3 411	32 108
Water Reservoirs & Reticulation	22 209	326 370
	<b>2 108 728</b>	<b>1 371 657</b>
<b>13.5 Property, Plant and Equipment which is in the process of being constructed or developed</b>		
<b>Infrastructure Assets</b>	8 001 039	
Electricity Reticulation	866 223	
Roads, Pavements, Bridges & Storm water	99 991	
Sewerage Purification & Reticulation	2 853 535	
Water Reservoirs & Reticulation	4 181 290	
<b>Community Assets</b>	233 587	
Libraries	233 587	
<b>Other Assets</b>	1 594 870	
<b>Total Property, Plant and Equipment under construction</b>	<b>9 829 496</b>	
<b>13.6 Property, Plant and Equipment that is taking a significantly longer period of time to complete as expected :</b>		
<b>Infrastructure Assets</b>	34 049 382	
Electricity Reticulation	14 826 709	
Roads, Pavements, Bridges & Storm water	4 801 893	
Sewerage Purification & Reticulation	7 316 315	
Water Reservoirs & Reticulation	6 969 319	
Other	135 145	
<b>Community Assets</b>	20 520	
Sports Grounds	20 520	
<b>Other Assets</b>	1 751 825	
<b>Total</b>	<b>35 821 727</b>	
<b>Reasons for the delays :</b>		
- Budgeting/Funding Constraints		
- Delays with EIA Approvals		
- Building Control Appeal		
- Delay with materials ordered from overseas		

**13.7 Property, Plant and Equipment where construction or development has been halted:**  
halted

**2017**  
**R**

**2016**  
**R**

**Infrastructure Assets**

51750

Electricity Reticulation  
Roads, Pavements, Bridges & Storm water  
Sewerage Purification & Reticulation  
Water Reservoirs & Reticulation  
Other

51 750

**Community Assets**

**Other Assets**

**Total**

51 750

**Total Work in progress**

45 702 972

**Reason for the halt**

Litigation matter relating to the Small Boat Harbour

**13.8 Expenditure incurred to repair and maintain Property, Plant and Equipment:**

Employee related costs

5 363 562

Other materials

7 937 197

Contracted Services

11 721 857

Other Expenditure

1 046 106

**Total Repairs and Maintenance**

26 068 721

14

**14.1 INVESTMENT PROPERTY**

**Net Carrying amount at 1 July**

55 453 363

54 831 381

Cost

56 565 759

56 565 759

Accumulated Depreciation

(1 109 396)

(1 731 378)

Accumulated Impairments

(3 000)

(3 000)

Depreciation for the year

(538)

621 982

Impairments for the year

**Net Carrying amount at 30 June**

55 452 825

55 453 363

Cost

56 565 759

56 565 759

Accumulated Depreciation

(1 109 934)

(1 109 396)

Accumulated Impairments

(3 000)

(3 000)

**14.2 Change in estimates in terms of GRAP 3**

The useful life's of properties were adjusted for further periods

Depreciation after adjustments

-

-

Depreciation before adjustments

-

-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

**14.3**

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

**14.4**

**14.5 Revenue derived from the rental of investment property**

289 809

361 808

**14.6**

**Operating Expenditure incurred on properties:**

**Repairs and  
Maintenance**

**Other Operating  
Expenditure**

Revenue Generating

Improved Property

-

-

Unimproved Property

-

-

Non-revenue Generating

Improved Property

-

-

Unimproved Property

-

-

**Total Operating Expenditure**

-

-

**14.7 Investment Property which is in the process of being constructed or developed**

-

-

15 INTANGIBLE ASSETS		2017 R	2016 R
15.1	Computer Software		
	Net Carrying amount at 1 July	369 804	481 021
	Cost	888 329	876 263
	Accumulated Amortisation	(518 525)	(395 242)
	Disposals	0	(37 934)
	Additions	37 167	50 000
	Amortisation (Included in Depreciation and Amortisation in the Statement of Financial Performance)	(90 848)	(123 283)
	Net Carrying amount at 30 June	316 123	369 804
	Cost	925 496	888 329
	Accumulated Amortisation	(609 374)	(518 525)
No intangible asset has an indefinite useful life.			
There are no internally generated intangible assets at reporting date.			
There are no intangible assets whose title is restricted.			
There are no intangible assets pledged as security for liabilities			
There are no contractual commitments for the acquisition of intangible assets.			
15.2	Change in estimates in terms of GRAP 3		
	The useful life's of assets were adjusted for further periods		
	Amortisation after adjustments	1 960	22 026
	Amortisation before adjustments	2 623	56 329
15.3	Research and Development Costs:	-	-
15.4	Intangible Assets which are in the process of being constructed or developed:	-	-
16	HERITAGE ASSETS		
16.1	Net Carrying amount at 1 July	35 193	35 193
	Cost	35 193	35 193
	Accumulated Impairment	-	-
	Acquisitions	-	-
	Disposals	-	-
	Impairments	-	-
	Reversal of Impairment losses	-	-
	Transfers from Property, Plant and equipment	-	-
	Net Carrying amount at 30 June	35 193	35 193
	Cost	35 193	35 193
	Accumulated Impairment	-	-
Heritage Assets consist of historical land and the Mayoral chain.			
The assets were measured at cost.			
There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.			
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.			
There are no Heritage Assets pledged as security for liabilities			
16.2	Expenditure Incurred to repair and maintain Heritage Assets:	-	-
16.3	Heritage Assets which is in the process of being constructed or developed:	-	-
17	NON CURRENT INVESTMENTS		
	Total Non- Current Investments		
	Fixed Deposits	6 102 365	5 352 171
	Total Current Investments	6 102 365	5 352 171

An Investment to establish a Sinking Fund has been invested with ABSA to serve as a contractual collateral on a loan (loan WC 13665) from Development Bank of Southern Africa

Interest accrued on the investment is capitalized annually.

18	LONG-TERM RECEIVABLES	2017 R	2016 R
	Housing selling scheme loans	15 170	18 576
	Less : Current portion transferred to current receivables	(3 921)	(3 407)
	<b>Total Long- Term Receivables</b>	<b>11 248</b>	<b>15 169</b>

Prior to the effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of these accounts are reflected as part of the outstanding receivables from exchange transactions.

The terms granted to these loans have not been more favourable that would be expected in market terms

19	INVENTORY		
	Consumables - At cost	7 670 180	5 107 828
	Water – at cost	148 655	112 966
	<b>Total Inventory</b>	<b>7 818 835</b>	<b>5 220 794</b>
	Consumable stores materials written down due to losses as identified during the annual stores counts.	77 056	59 619
	Consumable stores materials surpluses identified during the annual stores counts.	50 292	16 851
	Inventory recognised as an expense during the year	9 990 057	4 053 518
	No inventory assets were pledged as security for liabilities.		

20	RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Impairment	Nett Balances
	<b>As at 30 June 2017</b>			
	Service Receivables	94 987 760	62 173 434	32 814 326
	Electricity	17 673 418	3 253 205	14 420 213
	Water	29 581 789	21 923 300	7 658 489
	Sewerage	25 107 001	21 080 251	4 026 750
	Sundries	6 130 815	2 098 576	4 032 239
	Refuse Removal	16 494 737	13 818 102	2 676 634
	Housing Rentals	837 072	721 560	115 512
	<b>Total</b>	<b>95 824 832</b>	<b>62 894 994</b>	<b>32 929 838</b>
	<b>As at 30 June 2016</b>			
	Service Receivables	77 605 636	48 062 517	29 543 119
	Electricity	16 570 386	3 682 602	12 887 784
	Water	23 077 215	16 566 204	6 511 012
	Sewerage	19 182 177	15 789 703	3 392 474
	Sundries	5 469 834	918 224	4 551 610
	Refuse Removal	13 306 024	11 105 785	2 200 239
	Housing Rentals	770 414	647 023	123 391
	<b>Total</b>	<b>78 376 050</b>	<b>48 709 539</b>	<b>29 666 510</b>

#### Ageing of Receivables from Exchange Transactions:

	2017 R	2016 R
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	10 269 652	11 604 174
31 - 60 Days	1 377 073	581 511
61 - 90 Days	572 222	370 002
+ 90 Days	5 454 472	4 014 699
<b>Total</b>	<b>17 673 418</b>	<b>16 570 386</b>
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	4 948 105	5 526 383
31 - 60 Days	1 619 515	845 316
61 - 90 Days	1 087 754	569 030
+ 90 Days	21 926 416	16 136 486
<b>Total</b>	<b>29 581 789</b>	<b>23 077 215</b>
<b><u>(Sewerage): Ageing</u></b>		
Current (0 - 30 days)	3 684 782	3 517 903
31 - 60 Days	1 033 701	519 950
61 - 90 Days	862 875	463 297
+ 90 Days	19 525 643	14 681 027
<b>Total</b>	<b>25 107 001</b>	<b>19 182 177</b>



**(Sundries): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

**Total**

2017 R	2016 R
963 889	834 827
131 605	170 201
1 147 366	209 787
3 887 955	4 255 019
<b>6 130 815</b>	<b>5 469 834</b>

**(Refuse): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

**Total**

2 678 735	2 553 748
619 302	330 853
520 685	303 992
12 676 015	10 117 431
<b>16 494 737</b>	<b>13 306 024</b>

**(Housing): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

**Total**

79 529	81 766
3 447	13 585
3 145	12 222
750 951	662 841
<b>837 072</b>	<b>770 414</b>

**(Total): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

**Total**

22 624 692	24 118 801
4 784 643	2 461 416
4 194 047	1 928 330
64 221 451	49 867 503
<b>95 824 832</b>	<b>78 376 050</b>

21

**RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS****As at 30 June 2017**

Rates  
 Sundry Debtors.  
 Traffic Fines

**Total**

Gross Balances	Provision for Impairment	Nett Balances
23 603 975	9 485 589	14 118 385
339 364	0	339 364
88 483 034	69 472 931	19 010 103
<b>112 426 372</b>	<b>78 958 520</b>	<b>33 467 852</b>

**As at 30 June 2016**

Rates  
 Sundry Debtors.  
 Traffic Fines

**Total**

21 503 495	11 295 345	10 208 151
3 596	-	3 596
52 864 205	45 130 066	7 734 139
<b>74 371 296</b>	<b>56 425 410</b>	<b>17 945 886</b>

**Ageing of Receivables from Non-Exchange Transactions:****(Rates): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

**Total**

2017 R	2016 R
6 772 380	6 627 559
1 230 986	645 965
647 274	504 060
14 953 335	13 725 912
<b>23 603 975</b>	<b>21 503 495</b>

**Receivables impaired****2017****Total****2016****Total**

Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
62 894 994	78 958 520	141 853 514
<b>48 709 539</b>	<b>56 425 410</b>	<b>105 134 950</b>

**Reconciliation of Provision for Bad Debts for Receivables from Exchange and Non -Exchange transactions**

Balance at beginning of year  
 Contribution to provision

**Balance at end of year**

2017 R	2016 R
105 134 950	81 441 726
36 718 564	23 693 224
<b>141 853 514</b>	<b>105 134 950</b>

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

		2017 R	2016 R
<b>22 OPERATING LEASE ARRANGEMENTS</b>			
<b>22.1 The Municipality as Lessee (Liability)</b>			
Balance on 1 July	427 515	506 021	
Movement during the year	(130 511)	(78 506)	
Balance on 30 June	<b>297 004</b>	<b>427 515</b>	
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:			
Up to 1 Year	878 574	1 164 837	
1 to 5 Years	415 663	683 638	
More than 5 Years			
<b>Total Operating Lease Arrangements</b>	<b>1 294 237</b>	<b>1 848 475</b>	
Operating leases consists of agreements for building rentals			
The municipality does not engage in any sub-lease arrangements.			
The municipality did not pay any contingent rent during the year			
<b>22.2 The Municipality as Lessor (Asset)</b>			
Balance on 1 July	206 364	118 230	
Movement during the year.	66 866	88 134	
Balance on 30 June	<b>273 230</b>	<b>206 364</b>	
At the Statement of Financial Position date, the municipality will receive operating lease income as follows:			
Up to 1 Year	529 156	623 416	
1 to 5 Years	1 326 336	1 855 492	
More than 5 Years	407 923		
<b>Total Operating Lease Arrangements</b>	<b>2 263 415</b>	<b>2 478 907</b>	
This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.			
No restrictions have been imposed on the Municipality in terms of the operating lease agreements.			
The leases are in respect of land and buildings being leased out for several purposes.			
The municipality does not engage in any sub-lease arrangements.			
The municipality did not receive any contingent rent during the year			
Leases escalate annually between 5.00% to 12.00%. Lease agreements are non-cancellable and have terms from 2 to 10 years.			
Some of the leases are renewable after the lapsing of the existing lease period			
<b>23 CASH AND CASH EQUIVALENTS</b>			
<b>Assets</b>			
Call Investments Deposits	53 010 079	103 684 247	
Bank Accounts	73 033 220	17 267 242	
Cash Floats	12 020	11 520	
<b>Total Cash and Cash Equivalents - Assets</b>	<b>126 055 319</b>	<b>120 963 009</b>	
Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.			
Security amounting to R 200,000 is held at Absa Bank for E- Fuel.			
The municipality has the following bank accounts:			
<b>Current Accounts</b>			
Standard Bank George-Account Number 082599343 (Previous Primary Bank Account)	7 168 399	15 235 038	
Standard Bank George-Account Number 282032371 (Direct Deposits)	1 485 854	791 614	
Standard Bank George-Account Number 082608288 (ACB)	5 623	148 308	
Standard Bank George-Account Number 082592535 (Previous Traffic Account)	896 561	563 187	
Nedbank- Account Number 1089911513 ( Current Primary Bank Account)	63 516 264	5 888 600	
Nedbank- Account Number 1089913079 (Current Traffic Account)	107 545	327 973	
Nedbank- Account Number 1089913974 (Current Direct Deposits)	577 163	444 474	
Nedbank- Account Number 1147931046	272 196	-	
	<b>74 029 603</b>	<b>23 399 195</b>	
Cash book balance at beginning of year	17 267 242	16 573 665	
Cash book balance at end of year	73 033 220	17 267 242	
<b>Standard Bank George-Account Number 082599343 (Primary Bank Account) until 14 December 2014</b>			
Bank statement balance at beginning of year	15 235 038	10 168 982	
Bank statement balance at end of year	7 168 399	15 235 038	
<b>Standard Bank George-Account Number 282032371 (Direct Deposits)</b>			
Bank statement balance at beginning of year	791 614	1 624 758	
Bank statement balance at end of year	1 485 854	791 614	
<b>Standard Bank George-Account Number 082592535 (Previous Traffic Account)</b>			
Bank statement balance at beginning of year	563 187	84 098	
Bank statement balance at end of year	896 561	563 187	

**Standard Bank George-Account Number 082608288 (ACB)**

Bank statement balance at beginning of year  
Bank statement balance at end of year

2017 R	2016 R
148 308	56 752
5 623	148 308

**Nedbank- Account Number 1089911513(Primary Bank Account) since 15 December 2015**

Bank statement balance at beginning of year  
Bank statement balance at end of year

5 888 600	2 726 127
63 516 264	5 888 600

**Nedbank- Account Number 1089913079**

Bank statement balance at beginning of year  
Bank statement balance at end of year

327 973	2 496 597
107 545	327 973

**Nedbank- Account Number 1089913974**

Bank statement balance at beginning of year  
Bank statement balance at end of year

444 474	1 965 201
577 163	444 474

**Nedbank- Account Number 1147931046**

Bank statement balance at beginning of year  
Bank statement balance at end of year

-	-
272 196	-

**Call Investment Deposits**

Call investment deposits consist out of the following accounts:

Absa Account nr 9294822970	-	11 326 233
Absa Account nr 9298544934	-	11 144 248
Standard Account nr 488-607-7000-036	-	5 290 466
Standard Account nr 488-607-7000-037	-	5 263 699
Standard Account nr 488-607-7000-043	-	10 065 258
Standard Account nr 488-607-7000-044	21 411 166	20 007 452
Standard Account nr 488-607-7000-049	10 183 757	-
Nedbank Account nr 03/7881052406/000067	-	5 193 815
Nedbank Account nr 03/7881052406/000070	-	5 197 259
Nedbank Account nr 03/7881052406/000071	-	5 151 074
Nedbank Account nr 03/7881052406/000074	-	5 033 565
Nedbank Account nr 03/7881052406/000076	21 415 157	20 011 178
	<b>53 010 079</b>	<b>103 684 247</b>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.00 % to 6.00 % per annum.

24

**PROPERTY RATES****Actual****Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

112 556 121      108 386 833

102 060 356	97 891 068
8 536 123	8 536 123
1 959 642	1 959 642

**Total Assessment Rates**

**112 556 121      108 386 833**

**Valuations - 1 JULY 2011****Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

20 420 668 573      20 368 724 573  
969 466 000      971 886 000  
269 147 400      268 087 400

<b>21 659 281 973</b>	<b>21 608 697 973</b>
-----------------------	-----------------------

Assessment Rates are levied on the value of land and improvements, for which a valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. A new roll was implemented from 1 July 2012.

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. A Business will pay 67.00% more than a household and farms or rural properties will pay 75.00% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments. Monthly rates are payable by the 15th of the following month. Interest is levied at the prime rate plus 1.00% on outstanding rates amounts.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25	GOVERNMENT GRANTS AND SUBSIDIES	2017	2016
		R	R
	<b>Unconditional Grants</b>	<b>64 235 000</b>	<b>56 999 000</b>
	Equitable Share	64 235 000	56 999 000
	<b>Conditional Grants</b>	<b>117 932 994</b>	<b>96 145 756</b>
	Grants and donations	117 932 994	96 145 756
	<b>Total Government Grants and Subsidies</b>	<b>182 167 994</b>	<b>153 144 756</b>
	Government Grants and Subsidies - Capital	81 804 891	48 956 549
	Government Grants and Subsidies - Operating	100 363 103	104 188 207
		<b>182 167 994</b>	<b>153 144 756</b>
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Community & Social Services	10 590 177	10 718 074
	Electricity	18 495 120	16 769 082
	Executive & Council	30 933 480	27 190 069
	Budget & Treasury	7 868 600	7 865 488
	Housing	67 428 566	44 874 199
	Road Transport	2 954 000	765 367
	Water	29 573 811	27 477 773
	Waste Water Management	5 471 328	9 999 362
	Waste Management	7 408 320	6 626 720
	Corporate Services	1 444 592	858 622
		<b>182 167 994</b>	<b>153 144 756</b>
	The municipality does not expect any significant changes to the level of grants.		
<b>25.01</b>	<b>Equitable share</b>		
	Grants received	64 235 000	56 999 000
	Conditions met - Operating	(64 235 000)	(56 999 000)
	Unconditional	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>25.02</b>	<b>Extended Public Works Program</b>		
	Opening balance	-	-
	Grants received	1 869 000	1 052 000
	Conditions met - Operating	(1 869 000)	(1 052 000)
	Conditions still to be met	-	-
	Job creation projects in previous disadvantage areas		
<b>25.03</b>	<b>Local Government Financial Management Grant (FMG)</b>		
	Opening balance	-	-
	Grants received	1 475 000	1 450 000
	Conditions met - Operating	(1 475 000)	(1 450 000)
	Conditions met-to be recovered	-	-
	The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
<b>25.04</b>	<b>Municipal Systems Improvement Grant</b>		
	Opening balance	-	-
	Grants received	-	930 000
	Conditions met - Operating	-	(930 000)
	Conditions met-to be recovered	-	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, paid by National Treasury.		
<b>25.05</b>	<b>Municipal Infrastructure Grant (MIG)</b>		
	Opening balance	2	-
	Grants received	25 682 000	22 122 000
	Conditions met - Capital	(23 400 211)	(22 121 998)
	Conditions met	<b>2 281 791</b>	<b>2</b>
	The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.		

	2017 R	2016 R
<b>25.06 Housing Grants</b>		
Opening balance	9 054 979	12 136 879
Grants received	43 893 012	41 792 298
Conditions met - Operating	(20 253 292)	(29 985 114)
Conditions met - Capital	(47 175 274)	(14 889 084)
Refunded	-	-
Conditions met-to be recovered	<u>(14 480 575)</u>	<u>9 054 979</u>
Housing grants was utilised for the development of erven and the erection of top structures, paid by the Provincial Government.		
<b>25.07 National Electrification Programme</b>		
Opening balance	-	(136 877)
Grants received	8 000 000	7 000 000
Conditions met - Capital	(8 000 000)	(6 863 123)
Conditions met-	<u>(0)</u>	<u>-</u>
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>25.08 LGSETA Grant</b>		
Opening balance	-	102 531
Grants received	317 150	195 645
Conditions met - Operating	(317 150)	(298 176)
Conditions still to be met	<u>-</u>	<u>-</u>
The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations .		
<b>25.09 ACIP</b>		
Opening balance	-	-
Grants received	-	3 081 000
Conditions met - Capital	-	(3 081 000)
Conditions met	<u>-</u>	<u>-</u>
Job creation in the previous disadvantage areas		
<b>25.10 Provincial Management Support Grant</b>		
Opening balance	-	800 785
Grants received	340 000	50 000
Conditions met - Operating	(220 000)	(850 785)
Conditions met - Capital	-	-
Conditions still to be met	<u>120 000</u>	<u>-</u>
The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.		
<b>25.11 Community Development Workers</b>		
Opening balance	-	16 758
Grants received	19 000	18 000
Conditions met - Operating	(19 000)	(34 758)
Conditions still to be met	<u>-</u>	<u>-</u>
The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.		
<b>25.12 Library Grant</b>		
Opening balance	372 873	1 106 177
Grants received	1 604 000	1 631 000
Conditions met - Operating	(1 860 136)	(2 207 998)
Conditions met - Capital	(116 737)	(156 306)
Conditions still to be met	<u>0</u>	<u>372 873</u>
The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.		
<b>25.13 Municipal Replacement Grant</b>		
Opening balance	287 305	705 676
Grants received	8 226 000	7 855 800
Conditions met - Operating	(6 868 187)	(7 194 501)
Conditions met - Capital	(1 645 118)	(1 079 671)
Conditions still to be met	<u>(0)</u>	<u>287 305</u>
This grant was received as a contribution for the operational cost of the libraries		
<b>25.14 Proclaimed Roads Maintenance</b>		
Opening balance	-	-
Grants received	2 754 000	765 367
Conditions met - Operating	(2 754 000)	(765 367)
Conditions met-to be recovered	<u>-</u>	<u>-</u>
This subsidy was for maintenance on main roads , belonging to the Western Cape Government		

	2017 R	2016 R
<b>25.15 Emergency Funding N.D.M.C</b>		
Opening balance	32 447	(7 665)
Grants received	-	2 585 943
Conditions met - Operating	(9 704)	(2 545 831)
Conditions met - Capital	(22 743)	
Conditions met-to be recovered	0	32 447
<b>25.16 Thusong Sentrum</b>		
Opening balance	-	(20 402)
Grants received	100 000	100 000
Conditions met - Operating	(100 000)	(79 598)
Conditions met - Capital	-	
Conditions met-to be recovered	-	-
<b>25.17 Service Delivery and Capacity Building</b>		
Opening balance	-	(43 020)
Adjustment		43 020
Grants received	700 000	-
Conditions met - Operating	(200 000)	
Conditions met - Capital	(500 001)	
Conditions met-to be recovered	(1)	-
<b>25.18 Graduate Internship</b>		
Opening balance	-	-
Grants received	60 000	-
Conditions met - Operating	-	
Conditions met - Capital	-	
Conditions met-	60 000	-
<b>25.19 Total Grants</b>		
Opening balance	9 747 606	14 660 842
Grants received	159 274 162	147 628 053
Adjustment		43 020
Conditions met - Operating	(100 180 468)	(104 393 128)
Conditions met - Capital	(80 860 083)	(48 191 181)
Refunded	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(12 018 783)	9 747 605
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	2 461 793	9 747 605
Unpaid Conditional Government Grants and Receipts	(14 480 577)	-
	(12 018 783)	9 747 605
<b>26 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Augmentation Fees: Electricity	621 663	1 162 307
Augmentation Fees: Water	14 140	1 830 457
Augmentation Fees: Sewerage	357 568	510 401
IDC funding		
Beaches		
Kwanu Sport fields		
	993 370	3 503 166
<b>27 SERVICE CHARGES</b>		
Electricity charges	135 846 450	121 979 685
Water charges	57 922 395	51 925 476
Refuse removal charges	39 634 629	35 630 619
Sewerage and Sanitation Charges	66 045 588	61 106 694
	299 449 062	270 642 474
Less: Rebates	(49 354 808)	(50 049 863)
<b>Total Service Charges</b>	<b>250 094 254</b>	<b>220 592 611</b>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

The method to determined rebates and subsidized services has changed since the previous year in the sense that rebates and discounts which were previously treated as revenue forgone and discounted in the tariffs ,are now levied at full tariffs and rebates and subsidies are then credited to the beneficiaries who have qualified for rebates and subsidies.

28	OTHER INCOME	2017 R	2016 R
	Boat Launching Fees	102 802	271 450
	Building Plan Fees	2 549 624	2 289 989
	Call Out Fees	1 634	307
	Cemetery Fees	29 950	27 204
	Collection Fees recovered	435 596	1 188 736
	Connection Fees	319 084	447 710
	Conservancy Fees	1 501 205	1 379 367
	Fire fighting fees	1 384 335	102 847
	Fuel sales	2 877 960	1 430 413
	Landing Fees	284 951	213 296
	List of building plans	5 001	3 599
	Mayoral Golf Day	49 825	49 728
	Penalties : Damaged Meters	52 943	124 889
	Pre paid unblocking fee	24 107	90 459
	Re/disconnections	43 288	447 554
	Services Connections	153 905	123 584
	Town Planning Fees	467 076	510 752
	Wheelie Bins Sales	42 307	22 931
	Sundries.	1 183 072	3 862 575
	<b>Total Other Income</b>	<b>11 508 665</b>	<b>12 587 391</b>
29	EMPLOYEE RELATED COSTS		
	Salaries and Wages	109 500 975	92 698 662
	Contributions to UIF and pensions	17 922 262	14 483 801
	Bonuses	7 341 132	7 073 477
	Performance Bonus	348 738	215 098
	Overtime payments	9 620 470	7 664 582
	Standby Allowance	3 203 896	3 055 294
	Travelling Allowance and subsistence and other Allowances	11 347 167	10 584 525
	Housing Benefits and Allowance	1 045 018	819 290
	Medical Aid contributions	13 268 748	11 339 672
	Contributions to Group Insurance	3 333 642	2 791 381
	Contributions to Leave	4 667 470	3 427 631
	Contribution to Post Employment Medical	7 696 513	6 140 860
	Contribution to Long Service awards	448 090	394 110
	<b>Total Employee Related Costs</b>	<b>189 744 121</b>	<b>160 688 381</b>
	KEY MANAGEMENT PERSONNEL		
	The Municipal Manager and Directors are appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager</i>		
	<i>Mr AA Paulse (period 1 July 2016 - 31 August 2016)</i>		
	Annual Remuneration	193 483	1 102 698
	Allowance	15 060	88 883
	Annual Bonus	-	90 685
	Travelling Allowance	45 200	252 601
	Telephone allowance	4 600	24 400
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	42 882	257 171
	Leave	441 529	-
	Severance Benefit	1 428 067	-
	<b>Total</b>	<b>2 170 821</b>	<b>1 816 437</b>
	<i>Remuneration of the Municipal Manager</i>		
	<i>Mr TC Ndlovu (period 6 February - 30 June 2017)</i>		
	Annual Remuneration	381 411	-
	Allowance	97 684	-
	Travelling Allowance	106 832	-
	Telephone allowance	24 250	-
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	782	-
	<b>Total</b>	<b>610 959</b>	<b>-</b>
	<i>Remuneration of the Director Infrastructure and Technical Services</i>		
	<i>Me P Ngqumshe</i>		
	Annual Remuneration	768 369	776 982
	Allowance	533 818	439 738
	Telephone allowance	27 600	24 400
	Travelling Allowance	132 000	132 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	157 648	172 956
	<b>Total</b>	<b>1 619 434</b>	<b>1 546 077</b>
	<i>Remuneration of the Director Corporate Services</i>		
	<i>Mr R Smit</i>		
	Annual Remuneration	561 716	1 063 365
	Annual Bonus	119 195	150 475
	Acting Allowance	26 483	10 707
	Travelling Allowance	54 000	106 000
	Telephone allowance	13 800	24 400
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	102 047	203 379
	Leave	127 602	-
	<b>Total</b>	<b>1 004 844</b>	<b>1 558 326</b>

	2017 R	2016 R
<b>Remuneration of the Director Corporate Services</b>		
<b>Me VJ Mbelani (period 01/05/2017-30/06/2017)</b>		
Annual Remuneration	111 721	-
Other Allowance	29 269	-
Travelling Allowance	25 000	-
Telephone allowance	10 000	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	313	-
<b>Total</b>	<b>176 303</b>	<b>-</b>
<b>Remuneration of the Director Community Services</b>		
<b>Mr MG Stratu (period 1 July 2016-28 February 2017)</b>		
Annual Remuneration	815 895	1 137 391
Annual Bonus	-	-
Allowance	25 883	38 825
Acting Allowance	3 545	8 272
Telephone allowance	18 400	24 400
Travelling Allowance	-	284 034
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	62 768
Leave	108 462	-
<b>Total</b>	<b>972 185</b>	<b>1 555 690</b>
<b>Remuneration of the Chief Financial Officer</b>		
<b>Mr FM Lötter (period 1 July 2016- 31 August 2016)</b>		
Annual Remuneration	236 707	1 334 135
Acting Allowance	-	8 185
Travelling Allowance	39 430	234 582
Telephone allowance	18 400	24 400
Leave	277 298	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	5 336	44 133
Severance Benefit	1 001 257	-
<b>Total</b>	<b>1 578 428</b>	<b>1 645 435</b>
<b>Remuneration of the Chief Financial Officer</b>		
<b>Mr BV Mkhafa (period 01/05/2017 - 30 June 2017)</b>		
Annual Remuneration	129 530	-
Other Allowance	32 927	-
Travelling Allowance	24 000	-
Telephone allowance	10 000	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	313	-
<b>Total</b>	<b>196 770</b>	<b>-</b>
<b>Remuneration of the Director : Strategic Services</b>		
<b>Mr D Friedman</b>		
Annual Remuneration	831 421	775 979
Allowance	219 252	206 842
Acting Allowance	153 992	252 778
Travelling Allowance	240 000	240 000
Telephone allowance	27 600	24 900
Contributions to UIF, Medical, Pension Funds and Bargaining Council	25 336	35 914
<b>Total</b>	<b>1 497 601</b>	<b>1 536 413</b>
<b>30 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	762 060	782 480
Deputy Executive Mayor	622 497	630 878
Speaker	609 417	627 278
Mayoral Committee Members	1 174 141	1 185 956
Councillors	2 191 721	2 023 591
Councillors-other allowances	-	-
<b>Total Councillors' Remuneration</b>	<b>5 359 837</b>	<b>5 250 182</b>
<b>In-kind Benefits</b>		
The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.		
<b>31 DEBT IMPAIRMENT</b>		
Receivables from exchange transactions	12 485 454	7 615 978
Receivables from non- exchange transactions	24 233 110	16 077 246
<b>Total Contribution to Debt Impairment</b>	<b>36 718 565</b>	<b>23 693 224</b>
Less: Portion Relating to VAT	(1 533 301)	(1 883 995)
<b>Debt Impairment recognised in statement of financial performance</b>	<b>35 185 263</b>	<b>21 809 229</b>
<b>BAD DEBTS WRITTEN OFF</b>		
Receivables from exchange transactions	5 895 431	7 725 122
Receivables from non- exchange transactions	120 782	85 019
<b>Total</b>	<b>6 016 213</b>	<b>7 810 141</b>
<b>32 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	24 857 169	21 041 529
Investment Property	538	(621 982)
Intangible Assets	90 848	123 283
Capitalized Restoration Cost	-	-
<b>Total</b>	<b>24 948 555</b>	<b>20 542 830</b>



		2017 R	2016 R
33	<b>IMPAIRMENTS/WRITE-OFFS</b>		
	Property Plant & Equipment	187 896	264 185
	Intangible Assets		
		<b>187 896</b>	<b>264 185</b>
34	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	14 753 681	14 217 061
	Finance leases	279 664	400 035
	Tip site restoration contribution	181 744	1 718 927
	Post employment medical aid provision	8 081 925	7 326 752
	Long service awards provision	274 634	238 128
	<b>Total finance charges</b>	<b>23 571 648</b>	<b>23 900 903</b>
35	<b>BULK PURCHASES</b>		
	Electricity bulk	104 253 188	94 110 392
	<b>Total Bulk Purchases</b>	<b>104 253 188</b>	<b>94 110 392</b>
36	<b>GENERAL EXPENSES</b>		
	Advertising	617 543	543 850
	Audit Fees	2 158 288	2 057 726
	Bank Charges	2 235 864	1 955 001
	Blue Flag Facilities	40 495	164 831
	Bursaries	1 569 688	813 300
	Chemicals	1 757 466	1 819 342
	Communication	100 215	20 910
	Community Development Projects	2 786 198	3 058 954
	Congresses and Seminars	747 598	423 289
	Connection Fees - Services	110 923	171 745
	Consulting and Professional Fees	4 384 586	4 083 690
	Corporate Branding	34 741	32 164
	Disaster Relief	1 429 823	149 088
	Drivers Licence & Permit Cost	47 718	-
	Electricity Pre Paid Vendors Commissions	912 716	680 997
	Electricity Supply	702	36 538
	Entertainment	346 200	194 711
	Eradication Of Allan Vegetation	363 677	119 980
	Events & Festivals	1 796 943	409 773
	External Newsletters	42 697	52 942
	Fleet Management System	241 580	313 027
	Fuel	4 175 573	1 220 135
	General Clean-up	819 208	812 722
	Grant Funded Projects	5 976 625	3 747 708
	Hire & Maintenance	2 983 810	1 924 388
	Hire of Vehicles	767 792	543 552
	Housing Projects	17 818 511	29 040 872
	Insurance	843 354	586 437
	Laboratory Fees	164 124	185 153
	Legal Expenses	5 541 127	1 891 100
	Licence Fees	2 525 526	3 514 158
	Materials and Stores	5 954 022	5 716 903
	Mayoral events and projects	2 501 655	2 117 286
	Membership fees SALGA	1 894 889	1 673 995
	Pest Control	89 697	99 772
	Postage	51 551	675 233
	Printing and Stationary	952 513	826 918
	Protective Clothing	1 392 663	887 722
	Refuse Recycling	432 181	544 068
	Rent: Other	2 293 404	2 200 929
	Skills Development Levy	1 703 756	1 321 360
	Street Lighting Cost	-	75 941
	Subscription and Membership Fees	116 987	67 891
	Subsidized Services	36 977	1 830 280
	Systems support	480 839	409 418
	TASK contribution	123 155	-
	Telecommunication	1 981 812	1 515 679
	Telemetry Systems	21 440	80 513
	Training	1 294 999	1 414 346
	Travelling and Subsistence	2 554 318	2 293 378
	Vehicle Operating Cost	2 894 972	3 718 990
	Ward Committees	241 561	521 501
	Water supply purchase	958 668	304 583
	Wheelle Bins	419 880	1 338 414
	Other	7 731 295	4 439 848
	<b>Total General Expenses</b>	<b>99 464 539</b>	<b>94 643 051</b>

### 37 CORRECTION OF ERRORS IN TERMS OF GRAP 3 AND RECLASSIFICATIONS

#### Prior year adjustments due to non-compliance with Accounting policy and errors

- 37.01 (a) With the reconciliation of the Eskom accounts it was found that an account which was payable for the 2015/16 financial year was erroneously NOT ACCRUED at year end with the result that the Accumulated Surplus was overstated and VAT and Payables from Exchange transactions were understated. This error is now corrected with the following entries : (Dt) Accumulated Surplus- current year for (Bulk purchases) R 9 223 346.09 , (Dt) VAT R 1 291 268.45 and (Ct) Payables from Exchange transactions R 10 514 614.54
- (b) With the reconciliation of the Eskom accounts it was found that Input VAT amounted to R 117 939.88 was not allocated to the VAT account with the result that VAT claimable for 2015/16 was understated and the Bulk Purchases from Eskom overstated. This oversight is now corrected with the following entries : (Dt) VAT and (Ct) Accumulated surplus - current year (Bulk Purchases)
- (c) With the process to linked the assets in the improved infrastructure masterplan to the Infra structure asset register, it was found that assets were not recognised with the initial adoption in terms of GRAP 17 . This error is now corrected retrospectively to 2007 at deemed cost, with the following entries : (Dt) Property Plant and Equipment: Infrastructure-cost R 20 520 120.05 (Ct) Accumulated Surplus - prior years R 20 520 120.05. (Dt) Accumulated Surplus - prior years R 3 797 814.57, (Ct) Property Plant and Equipment- Accumulated Depreciation R 3 797 814.57.(Dt) Accumulated Surplus - Current year (depreciation) R 447 733.56 , (Ct) Accumulated Depreciation R 447 733.56
- (d) During the same process as described above, assets were found which were previously capitalize which are not the property of the Municipality. These assets are now derecognised as a correction of error.  
This error is now retrospectively corrected with the following entries : (Dt) Accumulated Surplus-prior years R 6 495 288.95 (Ct) Property Plant and Equipment -Infrastructure R 6 495 288.95 (Dt) Accumulated Depreciation R 2 155 715.60 , (Ct) Accumulated Surplus- prior years R 2 155 715.60, (Dt) Accumulated Depreciation R 83 612.35 (Ct) Accumulated Surplus - Current year - (depreciation) R 83 612.33
- (e) Some assets previously Identified during the 2014/2015 verification process, which were still work in progress, was incorrectly "commissioned" in the Assets Register. This error is now rectified with the following entries : (Dt) Accumulated Depreciation R 156 534.32 (Ct) Accumulated Surplus-previous years (Dt) Accumulated Depreciation R 17 529.65 (Ct) Accumulated Surplus -current year (depreciation) R 17 529.65
- (f) Errors in the calculation for depreciation were found. They were the same assets that have been splitted into components, with the result that depreciation of assets was overstated. This error is now corrected with the following entries : (Dt) Accumulated Depreciation - Infrastructure R 31 857.07 ( Ct) Accumulated Surplus-prior years R 31 857.07 (Dt) Accumulated Depreciation- infrastructure R 11 973.69, (Ct) Accumulated Surplus-prior years (depreciation) R 11 973.69
- (g) With the annual verification of the moveable assets, assets have been found which were not capitalized and included in the asset register before. These assets is now recognised for the first time in terms of GRAP 17 retrospectively to 2007 at deemed cost, with the following entries : (Dt) Property Plant and Equipment: Moveable assets-cost R 218 811.91 (Ct) Accumulated Surplus - prior years R 218 811.91 (Dt) Accumulated Surplus - prior years R 121 371.90 (Ct) Property Plant and Equipment- Accumulated Depreciation R 121 371.90. (Dt) Accumulated Surplus - Current year (depreciation) R 16 070.09 , (Ct) Accumulated Depreciation R 16 070.09
- (h) Assets previously de-recognised but still in use, were found and is now recognised retrospectively with the following entries : (Dt) Property Plant and Equipment (Other Assets) R 126 783.97 (Ct) Accumulated Surplus - prior years R 126 783.97 (Dt) Accumulated Surplus -prior years R 73 996.86 (Ct) Accumulated Depreciation R 73 996.86, (Dt) Accumulated Surplus -current year (depreciation) (Ct) Accumulated Depreciation R 9 845.29
- (i) Water meters were previously erroneously capitalised as assets. This error is now retrospectively corrected with the following entries (Dt) Accumulated Surplus -prior years R 199 944.88 (Ct) Property Plant and Equipment-Infrastructure cost R 199 944.88, (Dt) Accumulated Surplus-current year (General Expenditure) (Ct) Property Plant and Equipment - Infrastructure cost R 570 956.58
- (j) First time recognition of Assets. (Dt) Property Plant and Equipment - Land and Buildings -cost (Ct) Accumulated Surplus R 6 782 293 (Dt) Accumulated Surplus -prior years R 21.36 (Ct) Accumulated Depreciation R 21.36
- (k) Land and Buildings previously recognised as Investment Property are now retrospectively re-classified as Property Plant and Equipment The entries to do the correction are as follows : (Dt) Property Plantand Equipment- Land and Buildings (Ct) Investment Properties with R 6 007 333 . Accumulated Impairments- Investment Properties (Dt) , Accumulated Impairment - Property Plant and Equipment R 813 215.17 . Accumulated Depreciation- Investment Properties (Dt) , Accumulated Depreciation - Property Plant and Equipment with R 648 924.61
- (l) Land and Buildings were identified on the Asset register which are not Municipal Assets and are now retrospectively derecognised as Assets with the following entries : (Dt) Accumulated Surplus - prior years (Ct) Property Plant and Equipment - Land and Buildings R 144 000 Investment Properties R 12 400 000 (Dt) Accumulated Surplus -current year (Ct) Property Plant and Equipment R 27 000

#### 37.02 Accumulated Surplus

	2016 R	2015 R
Balance previously reported	702 478 331	656 275 557
Correction of error -see note 37,01(a)	(9 223 346)	
Correction of error -see note 37,01(b)	117 940	
Correction of error -see note 37,01(c)	20 520 120	20 520 120
Correction of error -see note 37,01(c)	(3 797 815)	(3 797 815)
Correction of error -see note 37,01(c)	(447 734)	
Correction of error -see note 37,01(d)	(6 495 289)	(6 495 289)
Correction of error -see note 37,01(d)	2 155 716	2 155 716
Correction of error -see note 37,01(d)	83 612	
Correction of error -see note 37,01(e)	156 534	156 534
Correction of error -see note 37,01(e)	17 530	
Correction of error -see note 37,01(f)	31 857	31 857
Correction of error -see note 37,01(f)	11 974	
Correction of error -see note 37,01(g)	218 812	218 812
Correction of error -see note 37,01(g)	(121 372)	(121 372)
Correction of error -see note 37,01(g)	(16 070)	
Correction of error -see note 37,01(h)	126 784	126 784
Correction of error -see note 37,01(h)	(83 842)	(73 997)
Correction of error -see note 37,01(i)	(770 901)	(199 945)
Correction of error -see note 37,01(j)	6 782 293	6 782 293
Correction of error -see note 37,01(j)	(21)	
Correction of error -see note 37,01(l)	(12 571 000)	(12 571 000)
Restated balance 30/06/2016	699 174 112	663 008 256

	2016 R	2015 R
<b>37.03 Property Plant and Equipment</b>		
Balance previously reported	827 916 726	753 536 068
Correction of error -see note 37,01 (c) - Infrastructure-cost	20 520 120	20 520 120
Correction of error -see note 37,01 (c)- Accumulated Depreciation	(3 797 815)	(3 797 815)
Correction of error -see note 37,01 (c)- Accumulated Depreciation	(447 734)	
Correction of error -see note 37,01 (d)- Infrastructure- cost	(6 495 289)	(6 495 289)
Correction of error -see note 37,01 (d)- Accumulated Depreciation	2 155 715	2 155 716
Correction of error -see note 37,01(d)- Accumulated Depreciation	83 612	
Correction of error -see note 37,01(e)- Accumulated Depreciation	156 534	156 534
Correction of error -see note 37,01(e)- Accumulated Depreciation	17 530	
Correction of error -see note 37,01(f)- Accumulated Depreciation	31 857	31 857
Correction of error -see note 37,01(f)- Accumulated Depreciation	11 974	
Correction of error -see note 37,01(g)- Accumulated Depreciation	218 812	218 812
Correction of error -see note 37,01(g)- Accumulated Depreciation	(121 372)	(121 372)
Correction of error -see note 37,01(g)- Accumulated Depreciation	(16 070)	
Correction of error -see note 37,01(h)- Other Assets cost	126 784	126 784
Correction of error -see note 37,01(h)- Accumulated Depreciation	(83 842)	(73 997)
Correction of error -see note 37,01(i)- Accumulated Depreciation	(770 901)	(199 945)
Correction of error -see note 37,01(i)-Land and Buildings-cost	6 782 293	6 782 293
Correction of error -see note 37,01(i)- Accumulated Depreciation	(21)	
Correction of error -see note 37,01(k)- Property Plant and Equipment -cost	6 007 333	6 007 333
Correction of error -see note 37,01(k)- Accumulated Impairment	(813 215)	(813 215)
Correction of error -see note 37,01(k)- Accumulated Depreciation	(648 852)	(622 521)
Correction of error -see note 37,01(i)-Land and Buildings- cost	(171 000)	(144 000)
Restated balance 30/06/2016	<u>850 663 178</u>	<u>777 267 363</u>
<b>37.04 VAT</b>		
Balance previously reported	3 483 449	3 275 678
Correction of error -see note 37,01(a)	1 291 268	
Correction of error -see note 37,01(b)	117 940	
Restated balance 30/06/2016	<u>4 892 657</u>	<u>3 275 678</u>
<b>37.05 Payables from exchange transactions</b>		
Balance previously reported	34 499 109	39 299 414
Correction of error -see note 37,01(a)	10 514 615	
Restated balance 30/06/2016	<u>45 013 724</u>	<u>39 299 414</u>
<b>37.06 Investment Property</b>		
Balance previously reported	72 398 556	72 425 499
Correction of error -see note 37,01(k) -cost	(6 007 333)	(6 007 333)
Correction of error -see note 37,01(k)- Accumulated impairment	813 215	813 215
Correction of error -see note 37,01(k)- Accumulated Depreciation	648 925	622 521
Correction of error -see note 37,01(i)- cost	(12 400 000)	(12 400 000)
Restated balance 30/06/2016	<u>55 453 363</u>	<u>55 453 902</u>
<b>37.07 Statement of Performance</b>		
Balance previously reported	86 202 774	
Correction of error -see note 37,01(a)	(9 223 346)	
Correction of error -see note 37,01(b)	117 940	
Correction of error -see note 37,01(c)	(447 734)	
Correction of error -see note 37,01(d)	83 612	
Correction of error -see note 37,01(e)	17 530	
Correction of error -see note 37,01(f)	11 974	
Correction of error -see note 37,01(g)	(16 070)	
Correction of error -see note 37,01(h)	(9 845)	
Correction of error -see note 37,01(i)	(570 957)	
	(21)	
Bulk Purchases	(9 105 406)	
Depreciation	(360 555)	
General Expenses	(570 957)	
Restated balance 30/06/2016	<u>76 165 856</u>	-

		2016 R	2015 R
<b>37.08 Reclassification-Statement of Performance</b>			
<b>Previously reported</b>			
Debt Impairment		29 619 370	
Bad Debts Written-off		-	
Repairs and maintenance		17 028 262	
		<u>46 647 632</u>	
<b>Now reported</b>			
Debt Impairment		21 809 229	
Bad Debts Written-off		7 810 141	
Contracted Services		10 397 927	
Employee related costs		517 510	
Other Expenditure		1 341 713	
Other materials		4 771 112	
		<u>46 647 632</u>	
		<b>2017 R</b>	<b>2016 R</b>
<b>RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>			
<b>38</b>	Surplus for the year	99 239 864	76 165 857
	<b>Adjustments for:</b>		
	Depreciation	24 857 707	21 068 493
	Amortisation of Intangible Assets	90 848	123 283
	Asset Impairment	187 896	264 201
	Contributed Assets	(94 753)	(13 422)
	Grants received	161 173 215	147 671 073
	Grants recognised as revenue	(182 167 993)	(153 187 777)
	Gain on disposal of PPE		(211 960)
	Loss on Disposal of PPE		653 468
	Debt Impairment		31 503 365
	Debt Impairment-written off		(7 810 141)
	Contribution to employee benefits-current	3 755 528	2 990 776
	Contribution from/to employee benefits-non current	7 958 732	6 902 081
	Provisions	(545 636)	1 837 684
	Stock Adjustment	(35 689)	(29 818)
	Operating lease income accrued	(66 866)	(88 134)
	Operating lease expenses accrued	(130 511)	(78 506)
	Operating Surplus before changes in working capital	114 222 342	127 760 524
	Changes in working capital	2 019 943	(20 954 165)
	(Decrease)/Increase in Payables from Exchange Transactions	22 772 846	5 714 310
	Increase in Taxes	594 743	(1 616 978)
	Decrease in Inventory	(2 562 353)	(1 736 997)
	(Increase) in Trade and other receivables	(18 785 294)	(23 314 498)
	<b>Cash generated by operations</b>	<b>116 242 285</b>	<b>106 806 359</b>
<b>39</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 23	53 010 079	103 684 247
	Cash Floats - Note 23	12 020	11 520
	Bank - Note 23	73 033 220	17 267 242
	<b>Total cash and cash equivalents</b>	<b>126 055 319</b>	<b>120 963 009</b>
<b>40</b>	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
	Cash and Cash Equivalents - Note 39	126 055 319	120 963 009
	Less:	126 055 319	120 963 009
	Unspent Committed Conditional Grants - Note 10	16 588 893	(4 959 000)
	Unpaid Conditional Grants- Note 10	(2 461 793)	(9 747 606)
	VAT - Note 12	14 480 577	-
	Unspent Public Contributions	4 297 914	4 892 657
	<b>Resources available for working capital requirements</b>	<b>272 196</b>	<b>(104 051)</b>
		<b>142 644 212</b>	<b>116 004 009</b>
<b>41</b>	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
	Long-term Liabilities - Note 3	148 524 403	140 789 540
	Used to finance property, plant and equipment - at cost	(148 524 403)	(140 789 540)
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 (%)
<b>42.01 Operational</b>				
<b>Revenue by source</b>				
Property taxes	112 556 121	113 317 416	(761 295)	-0.67%
Government Grants and Subsidies-capital	81 804 891	82 969 550	(1 164 659)	-1.40%
Government Grants and Subsidies	100 363 103	97 576 735	2 786 368	2.86%
Public Contributions and Donations	993 370	1 412 573	(419 203)	-29.68%
Actuarial Gain	8 461 659	-	8 461 659	100.00%
Fines	43 806 052	22 016 052	21 790 000	98.97%
Service Charges	250 094 254	246 842 484	3 251 770	1.32%
Rental of Facilities and Equipment	1 462 374	1 442 187	20 187	1.40%
Interest Earned - external investments	10 366 703	8 174 568	2 192 135	26.82%
Interest Earned - outstanding debtors	6 816 522	6 513 254	303 268	4.66%
Agency Services	1 518 035	1 268 361	249 674	19.68%
Other Income	11 508 665	11 027 613	481 052	4.36%
Contributed Assets	94 753	-	94 753	100.00%
Stock Adjustments	35 689	-	35 689	100.00%
Third Party Payments	624 257	762 590	(138 333)	-18.14%
Gain on disposal of Property, Plant and Equipment	801 408	723 000	78 408	10.84%
Licences and Permits	210 965	3 043 427	(2 832 462)	-93.07%
	<b>631 518 821</b>	<b>597 089 810</b>	<b>34 429 011</b>	<b>5.77%</b>
<b>Expenditure by nature</b>				
Employee Related Costs	189 744 121	189 827 107	(82 986)	-0.04%
Remuneration of Councillors	5 359 837	5 274 600	85 237	1.62%
Debt Impairment	35 185 263	31 999 144	3 186 119	9.96%
Bad Debts Written-off	6 016 213	-	6 016 213	100.00%
Collection Cost	778 590	1 500 000	(721 410)	-48.09%
Depreciation and Amortisation	24 948 555	22 735 518	2 213 037	9.73%
Impairments/Write-Offs	187 896	-	187 896	100.00%
Repairs and Maintenance	-	34 589 057	(34 589 057)	-100.00%
Actuarial losses	2 337 831	-	2 337 831	100.00%
Finance Charges	23 571 648	15 063 317	8 508 331	56.48%
Bulk Purchases	104 253 188	101 205 483	3 047 705	3.01%
Contracted services	34 305 104	32 326 683	1 978 421	6.12%
Stock Adjustments	-	-	-	0.00%
Grants and Subsidies	4 000 000	4 231 670	(231 670)	-5.47%
General Expenses	99 464 539	111 639 353	(12 174 814)	-10.91%
Loss on Disposal of PPE	2 126 172	-	2 126 172	100.00%
	<b>532 278 956</b>	<b>550 391 932</b>	<b>(18 112 976)</b>	<b>-3.29%</b>
<b>Net Surplus for the year</b>	<b>99 239 864</b>	<b>46 697 878</b>	<b>52 541 986</b>	<b>112.51%</b>

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 (%)
<b>42.02 Expenditure by Vote</b>				
<i>Material variances are considered for variances larger than R5.3 million</i>				
Community Services	163 829 090	161 862 073	1 967 017	1.22%
Corporate Services	32 266 840	34 821 348	(2 554 508)	-7.34%
Council	6 195 884	6 235 440	(39 556)	-0.63%
Financial Services	47 246 534	77 555 985	(30 309 451)	-39.08%
Municipal Services and Infrastructure Development	238 376 238	255 591 781	(17 215 543)	-6.74%
Office of the Municipal Manager	25 416 292	26 330 087	(913 795)	-3.47%
Strategic Services	30 440 288	32 996 574	(2 556 286)	-7.75%
	<b>543 771 166</b>	<b>595 393 288</b>	<b>(51 622 122)</b>	<b>-8.67%</b>
Less : Internal charges	<b>(11 492 210)</b>	<b>(45 001 356)</b>	<b>33 509 146</b>	<b>-74.46%</b>
	<b>532 278 956</b>	<b>550 391 932</b>	<b>(18 112 976)</b>	<b>-3.29%</b>

Reasons for variances: see note 56

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 (%)
<b>42.03 Capital expenditure by vote</b>				
<i>Material variances are considered for variances larger than R5.3 million</i>				
Community Services	27 861 473	30 971 990	(3 110 517)	-10.04%
Corporate Services	1 771 368	1 779 000	(7 632)	-0.43%
Council	-	-	-	0.00%
Financial Services	293 955	2 249 370	(1 955 415)	-86.93%
Strategic Services	1 530 522	4 298 186	(2 767 664)	-64.39%
Municipal Services and Infrastructure Development	89 212 191	96 117 025	(6 904 834)	-7.18%
	<b>120 669 508</b>	<b>135 415 571</b>	<b>(14 746 063)</b>	<b>-10.89%</b>

Reasons for variances: see note 56

43	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2017 R	2016 R
43.01	<b>Unauthorised expenditure</b>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	-	-
	Unauthorised expenditure current year - capital	1 967 017	
	Unauthorised expenditure current year - operating		-
	Condoned by council	-	
	Unspent Grants not cash backed		
	Unauthorised expenditure awaiting authorisation	1 967 017	-
	<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
	Over expenditure on votes 2016/2017-see note 42.02	Condoned	1 967 017
			-
			1 967 017
			-
43.02	<b>Fruitless and wasteful expenditure</b>		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	262 200	291 374
	Fruitless and wasteful expenditure current year	305 750	(29 174)
	Condoned	-	-
	Fruitless and wasteful expenditure awaiting further action	567 950	262 200
	<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
	Late payment of Eskom account-penalty	Corrected- deducted from Eskom account	(29 174)
	Fraudulent payment to supplier	Busy with sec.32 of MFMA process	262 000
	Interest payed on overdue account Sentraal - Suid Koop		386
	Interest payed on overdue account ABSA Fleet Management		43 101
	Interest payed on overdue account ESKOM		263
		305 750	(29 174)
43.03	<b>Irregular expenditure</b>		
	Reconciliation of irregular expenditure:		
	Opening balance	1 618 307	45 075
	Irregular expenditure condoned		
	Irregular expenditure current year	5 317 168	1 573 232
	Condoned		
	Irregular expenditure awaiting further action	6 935 475	1 618 307
	<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
	Contract awarded to a contractor in which a newly appointed member of staff had an interest	Busy with sec.32 of MFMA process	45 075
	Legal Fees for Conveyancing of Subsidised Housing- Not procured in terms of SCM Policy from Nandi Bulabula	Reported to council	833 878
	Legal Fees for Conveyancing of Subsidised Housing- Not procured in terms of SCM Policy from Mosdel Pama Cox	Reported to council	739 354
	Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Nandi BulaBula	Reported to council	248 850
	Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3)	Reported to council	248 711
	Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3)	Reported to council	91 584
	Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3)	Reported to council	35 496
	Procurement not on lowest acceptable quote from Shekyna Projects	Reported to council	15 000
	Procurement not on lowest acceptable quote from Shekyna Projects	Reported to council	24 000
	Procurement not on lowest acceptable quote from Iqabaka Trading	Reported to council	24 000
	Procurement not on lowest acceptable quote from S'phelozona Trading & Investments Trading	Reported to council	6 000

**Irregular expenditure (Continue)**

		2017 R	2016 R
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
Procurement not on lowest acceptable quote from Sphetozona Trading & Investments Trading	Reported to council	18 600	
Procurement not on lowest acceptable quote from Azoma Trading	Reported to council	4 950	
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Nandi BulaBula	Reported to council	90 900	
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Mosdell Pama	Reported to council	162 081	
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Mosdell Pama	Reported to council	10 469	
Legal Fees for Property Transfer Fees of Low-Cost Houses in favour of Nandi BulaBula	Reported to council	56 210	
The procurement of Pest Control & Hygiene Services without following a Competitive Bidding process in terms of Section 19 of the SCM Policy from Rentokill.	Reported to council	101 934	
The continued procurement of Conveyancing Services for Low Cost Houses without following due procurement processes from Mosdell, Pama & Cox	Reported to council	144 307	
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) in favour of Home Plett Properties	Reported to council	31 035	
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3) in favour of Home Plett Properties	Reported to council	263 442	
Procurement of legal services from Du Plessis, Robin & Stoloff without following processes in terms of section 19 of SCM Policy	Reported to council	516 133	
Procurement of a Performance Management System from Ignite without following processes in terms of section 19 of SCM Policy	Reported to council	557 498	
without following a Competitive Bidding Process as per Section 19 of the SCM Policy from Mosdell Pama Cox.	Reported to council	627 156	
The procurement of professional services for the drafting of a Youth Development Plan without following a procurement process in terms of Section 18 of the SCM Policy.	Reported to council	60 000	
The continued procurement of Conveyancing Services for Low Cost Houses without following due procurement processes from Mosdell, Pama & Cox Attorneys.	Reported to council	790 500	
Rental of Office Accommodation beyond the contract end date without extending the contract in terms of MFMA Section 116(3)	Reported to council	235 456	
Procurement of Rental Vehicle for M van Rooyen without following due SCM Process from Avis	Reported to council	16 936	
Procurement of Rental Vehicle for Ndongeni without following due SCM Process from Avis	Reported to council	7 550	
Procurement of Rental Vehicle for Wienand without following due SCM Process from Avis	Reported to council	7 460	
Procurement of Rental Vehicle, Toyota Quest, for M van Rooyen without following due SCM Process from Avis	Reported to council	1 145	
Procurement of Rental Vehicle, Toyota Quest, for M van Rooyen without following due SCM Process from Avis	Reported to council	10 619	
Procurement of Rental Vehicle, Toyota Quest, for M van Rooyen without following due SCM Process from Avis	Reported to council	10 717	
The procurement of Debt Collection services without following a Competitive Bidding Process as per Section 19 of the SCM Policy from Mosdell Pama Cox.	Reported to council	144 307	
Procurement of Rental Vehicle for Executive Mayor without following due SCM Process from AVIS	Reported to council	30 521	
Procurement of Rental Vehicle for Executive Mayor without following due SCM Process from AVIS	Reported to council	6 930	
Procurement of Rental Vehicle for Executive Mayor without following due SCM Process from AVIS- OR Tambo 09-13 March 2017	Reported to council	5 951	
Procurement of Events & Catering Services from the Dunes, by Mr Smuts Mhana without following due SCM Process	Reported to council	6 750	

**Irregular expenditure (Continue)**

Incident	Disciplinary steps/criminal proceedings
Procurement of Events & Catering Services from the Dunes, by Mr Smuts Mhama without following due SCM Process	Reported to council
The procurement of Debt Collection services without following a Competitive Bidding Process as per Section 19 of the SCM Policy from Mosdel Pama Cox.	Reported to council
The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System	Reported to council
The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System	Reported to council
The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System	Reported to council
The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System	Reported to council
The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System	Reported to council
The procurement of events and catering services from various service providers without complying with Section 16 of the SCM Policy in terms of a Voucher Book System	Reported to council
The repeated procurement of professional consultancy services on an open -ended contract in terms of a deviation	Reported to council
The repeated procurement of professional consultancy services on an open -ended contract in terms of a deviation	Reported to council
The procurement of DJ services for Heritage Day without obtaining 3 Quotations as per section 17 of the SCM policy	Reported to council
The procurement of Debt collection services without following a Competitive Bidding Process as per section 19 of the SCM policy	Reported to council

2017  
R

2016  
R

4 289

76 016

10 410

51 925

5 240

9 079

3 552

2 468

82 326

358 504

27 900

72 263

**5 317 168**

**1 618 307**

**43.04 Material Losses**

**Water distribution losses**  
- Kilo litres disinfected/purified/purchased  
- Kilo litres lost during distribution  
- Percentage lost during distribution

**Electricity distribution losses**  
- Units purchased (Kwh)  
- Units lost during distribution (Kwh)  
- Percentage lost during distribution

3 103 467  
235 958  
7.60%

3 225 530  
216 111  
6.70%

105 430 932  
8 403 127  
7.97%

103 794 275  
9 367 740  
9.03%

**44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**44.01 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

Council subscriptions  
Amount paid - current year  
Balance unpaid (Included in creditors)

1 894 889  
(1 894 889)

1 673 995  
(1 673 995)

**44.02 Audit fees - [MFMA 125 (1)(c)]**

Opening balance  
Current year audit fee  
External Audit - Auditor-General  
Amount paid - current year  
Balance unpaid (Included in creditors)

2 158 288

1 984 968

2 158 288

1 984 968

(2 158 288)

(1 984 968)



	2017 R	2016 R
<b>44.03 VAT - [MFMA 125 (1)(b)]</b>		
Vat in suspense	4 297 914	4 892 657
<b>Receivable/Payable</b>	<b>4 297 914</b>	<b>4 892 657</b>

VAT is payable/receivable on the receipt basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

<b>44.04 PAYE, SDL and UIF - [MFMA 125 (1)(c)]</b>		
Opening Balance	25 889 561	22 788 612
Current year payroll deductions and Council Contributions	(25 889 561)	(22 788 612)
Amount paid - current year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

<b>44.05 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	45 879 514	39 457 086
Amount paid - current year	(45 879 514)	(39 457 086)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

<b>44.06 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>		
Councillors with arrear accounts for more than 90 days as at 30 June		
	<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>
None	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>

<b>44.07 Deviations from SCM processes in terms of section (36)(2) of the SCM Regulations</b>		
Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes are recorded. All the deviations were ratified by the Municipal Manager and reported to Council.		
Section 36(1)(a)(i)-Emergencies, unforeseeable sudden events with materially harmful consequences	1 217 620	1 334 998
Section 36(1)(a)(ii)- Where it can be demonstrated that goods or services are produced or available from a single provider only	3 105 099	763 412
Section 36(1)(a)(iii)- For the acquisition of special works of art or historical objects where specifications are difficult to compile	-	32 100
Section 36(1)(a)(v)- Exceptional case and it is impractical or impossible to follow the official procurement processes	4 332 382	8 445 577
<b>Total</b>	<b>8 655 101</b>	<b>10 576 087</b>

**44.08 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).**

Company	Description	Relation	Name	State Organ	Designation	Amount
Shelfplett 40 Security	Security Services	Husband	L.B Yonn	SA Police	SAPS Officer	10 261 407
Sidonela Trading	Construction	Wife	T.W Ngqoleka	Municipality	General Worker	13 200
Inyameko	Construction	Father	A. Komeni	Municipality	IDP Clerk	132 705
Sports Council	Sport and Recreation	Director	J.Windvogel	Municipality	SCM Practitioner	313 000
Pioneers Cricket club	Sport and Recreation	Member	J.Windvogel	Municipality	SCM Practitioner	18 110
Emawusheni	Catering	Sister	M. Siko	Municipality	Property Officer	48 966
Emawusheni	Catering	Sister In Law	G.Siko	Municipality	Accountant	48 966
Shekynach Projects	Construction	Brother	S.Ganga	Municipality	Chief Traffic	466 298
Pikas Tours	Travel	Brother	J. Pika	Municipality	Sports Officer	11 800
Pikas Tours	Travel	Brother	J. Pika	Municipality	Sports Officer	4 644
Potters House	Catering	Sister in Law	J. Pika	Municipality	Sports Officer	29 456
Potters House	Catering	Director	A.Pika	Dept Education	Teacher	29 456
<b>Total</b>						<b>11 378 008</b>

## CAPITAL COMMITMENTS

## Commitments in respect of capital expenditure:

Approved and contracted for:

Total commitments consist out of the following:

	2017 R	2016 R
	<u>14 315 908</u>	<u>41 276 652</u>
Tender SCM/MSID 57/2014	1 958 627	2 442 212
Tender SCM/MSID 30/2014	-	176 798
SCM/37/2016/ENG	1 228 261	18 306 631
SCM/76/2016/ENG	-	1 805 254
SCM/77/2016/ENG	-	3 447 089
SCM/79/2016/ENG	-	4 357 465
SCM/80/2016/ENG	-	4 990 921
SCM/87/2016/ENG	-	883 146
SCM/89/2016/ENG	-	431 746
SCM/90/2016/ENG	-	1 219 894
SCM/91/2016/ENG	-	1 048 999
SCM/92/2016/ENG	-	1 283 013
SCM/93/2016/ENG	-	545 411
SCM/30/2014/A	-	338 072
SCM/2017/39/ENG	932 459	-
SCM/2017/52/ENG	2 298 066	-
SCM/2017/59/ENG	474 561	-
SCM/2017/63/ENG	1 460 251	-
SCM/2017/91/ENG	2 418 789	-
SCM/2017/95/FIN	903 298	-
SCM/2017/111/STRAT	2 641 596	-
This expenditure will be financed from:		
Government Grants and Subsidies	2 160 720	41 276 650
External Loans	5 837 667	-
Own Funds	6 317 521	-
	<u>14 315 908</u>	<u>41 276 650</u>

## FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

## (a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

## (b) Price risk

The municipality is not exposed to price risk.

## (c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates, based on year end exposure, were as follow:

0.50% Increase in interest rates	(47 104)	(41 766)
0.50% Decrease in interest rates	47 104	41 766

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2017 %	2017 R	2016 %	2016 R
<u>Non-Exchange Receivables</u>				
Rates and Other Sundry Debtors	27.87%	7 346 005	31.65%	3 580 592
Traffic Fines	72.13%	19 010 103	68.35%	7 734 139
	100.00%	26 356 109	100.00%	11 314 731
<u>Exchange Receivables</u>				
Electricity	40.28%	4 150 561	23.14%	1 283 610
Water	26.30%	2 710 384	17.75%	984 629
Sewerage	3.32%	341 969	-2.26%	(125 429)
Sundries	29.77%	3 068 350	67.00%	3 716 783
Refuse Removal	-0.02%	(2 101)	-6.37%	(353 509)
Housing Rentals	0.35%	35 983	0.75%	41 625
	100.00%	10 305 146	100.00%	5 547 709

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1.00% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2017 %	2017 R	2016 %	2016 R
<u>Non-Exchange Receivables</u>				
Rates	12.01%	9 485 589	20.02%	11 295 345
Other	0.00%	-	0.00%	-
Traffic Fines	87.99%	69 472 931	79.98%	45 130 066
	100.00%	78 958 520	100.00%	56 425 410
<u>Exchange Receivables</u>				
Electricity	5.17%	3 253 205	7.56%	3 682 602
Water	34.86%	21 923 300	34.01%	16 566 204
Refuse	21.97%	13 818 102	22.80%	11 105 785
Sewerage	33.52%	21 080 251	32.42%	15 789 703
Other	3.34%	2 098 576	1.89%	918 224
Housing Rentals	1.15%	721 560	1.33%	647 023
	100.00%	62 894 994	100.00%	48 709 539

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R 5,244 million is held as security with Nedbank, for a loan raised with DBSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment.

	2017 R	2016 R
Financial assets maximum exposure to credit risk at year end is as follows:		
Receivables from exchange transactions	32 929 838	29 666 510
Receivables from non-exchange transactions	33 467 852	17 945 886
Cash and Cash Equivalents	126 055 319	120 963 009
Unpaid conditional grants and subsidies	14 480 577	-
Long-term Receivables	11 248	15 169
	206 944 834	168 590 575

#### (e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2017</b>				
Long Term liabilities	34 067 415	115 302 279	71 224 735	3 312 306
Capital repayments	18 536 418	71 347 368	55 537 222	3 065 561
Interest	15 530 997	43 954 911	15 687 513	246 745
Non-Current Provision	58 844 675	-	-	-
Trade and Other Payables	2 461 793	-	-	-
Unspent conditional government grants and receipts	95 373 883	115 302 279	71 224 735	3 312 306
<b>2016</b>				
Long Term liabilities	30 826 061	125 023 887	54 065 540	6 615 143
Capital repayments	16 553 730	77 461 591	40 953 306	5 820 912
Interest	14 272 331	47 562 296	13 112 234	794 230
Non Current Provision	36 230 944	-	-	-
Trade and Other Payables	9 747 606	-	-	-
Unspent conditional government grants and receipts	76 804 612	125 023 887	54 065 540	6 615 143

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## FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

### 47.01 Financial Assets

#### Long-Term Receivables

##### House Loans

##### Receivables

Receivables from exchange transactions  
Receivables from non-exchange transactions  
(excluding rates)

#### Current Portion of Long-Term Receivables

##### Housing Loans

#### Short-term Investment Deposits

##### Call Deposits

#### Bank Balances and Cash

##### Bank Balances

##### Cash Floats and Advances

##### Investments

#### Classification

Financial instruments at amortised cost

Financial instruments at amortised cost  
Financial instruments at amortised cost

Financial instruments at amortised cost

Financial instruments at amortised cost  
Financial instruments at amortised cost  
Financial instruments at amortised cost

2017  
R

2016  
R

11 248

15 169

32 929 838

29 666 510

19 349 467

7 737 735

3 921

3 407

53 010 079

103 684 247

73 033 220

17 267 242

12 020

11 520

6 102 365

5 352 171

184 452 158

163 738 002

184 452 158

163 738 002

184 452 158

163 738 002

### SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost

At amortised cost

### FINANCIAL INSTRUMENTS (CONTINUE)

### 47.02 Financial Liability

#### Long-term Liabilities

##### Annuity Loans

##### Capitalised Lease Liability

#### Payables from exchange transactions

##### Trade creditors

##### Other

#### Current Portion of Long-term Liabilities

##### Annuity Loans

##### Capitalised Lease Liability

#### Classification

Financial instruments at amortised cost  
Financial instruments at amortised cost

Financial instruments at amortised cost  
Financial instruments at amortised cost

Financial instruments at amortised cost  
Financial instruments at amortised cost

129 987 984

122 273 107

0

1 962 703

50 431 350

28 308 459

8 413 325

7 922 486

16 573 715

14 768 233

1 962 703

1 785 497

207 369 077

177 020 484

207 369 077

177 020 484

### SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost

		2017 R	2016 R
48	<b>STATUTORY RECEIVABLES</b>		
	In accordance with the principles of GRAP 108, Statutory Receivables are classified as follows :		
	Taxes	4 297 914	4 892 657
	Vat receivable		
	Receivables from Non Exchange Transactions	14 118 385	10 208 151
	Rates	19 010 103	7 734 139
	Fines		
49	<b>EVENTS AFTER THE REPORTING DATE</b>		
	No events or circumstances arising after the reporting date have come to the attention of management that would require adjustments to or disclosure in the financial statements.		
50	<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	None		
51	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
52	<b>CONTINGENT LIABILITY</b>		
	<b>ROBBERG BEACH END HOME OWNERS ASSOCIATION</b>		
	A High Court application was launched by the applicant to set aside the approval of the subdivision of Farm 443/86 by the Municipality. The municipality opposing this application. If the municipality should lose the case, the legal cost of the plaintiff of approximately R 150 000 must then be paid by the municipality.		
	<b>MOHALENG MEDIA</b>		
	Litigation was launched by the applicant to claim damages for cancelled communication project. The municipality oppose this application. If the municipality should lose the case, claims of approximately R 150 000 must be paid by the municipality.		
	<b>HM HENDRIKZ</b>		
	A High Court application was launched by the applicant to claim damages against the municipality. The municipality is opposing the application. If the municipality should lose the case, the legal cost of the plaintiff of approximately R 35 000 must be paid by the municipality.		
	<b>SANET DIXON AND OTHERS</b>		
	A High Court application was launched by the applicant to claim damages amounted to R 4.565 million against the municipality. The municipality is opposing the application. If the municipality should lose the case, the legal cost of the plaintiff of approximately R 150 000 must be paid by the municipality.		
	<b>L NGOQO</b>		
	Bitou Municipality launched an application for the review of an Arbitration Award to the Labour Appeal Court. The defendant is opposing the application. In the event that the municipality is not successful in its application, they might be liable for legal cost of approximately R 90 000.		
	<b>JAMES LOOCK N.O. AND OTHERS</b>		
	A High Court application was by the applicant to review and set aside approved building plans. The municipality is opposing the application. In the event that the municipality should lose the case, legal cost of the plaintiff of approximately R 150 000 must be paid by the municipality.		
	<b>RENTWORKS</b>		
	A High Court application was by the applicant to claim damages for breach of contract. The municipality is opposing the application. In the event that the municipality should lose the case, legal cost of the plaintiff of approximately R 250 000 must be paid by the municipality.		
	<b>NOMATHAMSANQA CORDELIA AND TOBI AND VINCENTMONGEZI SOTYFIA</b>		
	A claim amounted to R 2.500 million for damages linked to injury suffered at New Horizon Play Park		
53	<b>CONTINGENT ASSET</b>		
	<b>MGT TRADING</b>		
	The municipality is the plaintiff against the respondent who has provided professional services by submitting VAT claims to SARS on behalf of the Municipality. SARS assessment indicated an over recovery of R 1. 600 million and does the Municipality now claim the amount from the service provider due to their negligent and reckless behaviour which causes the Municipalities damages		
54	<b>RELATED PARTIES</b>		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
54.01	<b>Related Party Loans</b>		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
54.02	<b>Compensation of key management personnel</b>		
	The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.		

#### 54.03 Related party transactions

	Rates and Services Levied 1 Jul 16 - 30 Jun 17	Outstanding Balances 30 June 2017
Councillors	R	R
Councillor M.P. Lobese	10 191	962
Councillor J Kam Kam	7 466	636
Councillor A.R. Olivier	7 652	636
Councillor W.J. Nel	19 259	1 437
Councillor N.S. Ndayi	6 956	-
Councillor E.V Wildeman	38 681	3 715
Councillor S.E. Gcabayi	6 964	580
Councillor M. M. Mbali	-	-
Councillor N.C Jacob	4 664	466
Councillor L. M. Seyisi	-	-
Councillor AS Windvogel	7 170	-
Councillor D Swarts	6 394	533
Councillor X Matyila	5 174	466

#### 54.04 Other related party transactions

Company	Description	Relation	Name	State Organ	Designation	Amount R
Pioneers Cricket club	Sport and Recreation	Member	C Koeberg	Municipality	SCM Practitioner	18 110
African Community Centre	Sport and Recreation	Chairperson	E.Wildeman	Municipality	Councillor	30 000
Majiri Holdings	Construction	Brother	M.P. Mbali	Municipality	Councillor	34 400
<b>Total</b>						<b>82 510</b>

#### 55 Material variances between original and final budget

##### 55.01 Statement of Financial Position

###### Ref.

The Initial Current Assets was underestimated and was then corrected in the Adjustments Budgets. The main reason was the Cash and Cash Equivalent and Inventory that was significantly more at the time of the final 2016 Annual Financial Statements than at the time the original Budget was finalized.

C1 The increase was mainly due to the increase in the Capital Budget.

C2 There was an increase in the current provisions, due to the 2016 Annual Financial Statement Current Provisions being more than anticipated at the time of the Original Budget.

C3 There was an decrease in the Non-current provisions and Non-Current Borrowing, due to the 2016 Annual Financial Statement Non-Current Provisions and Non-Current Borrowing being less than anticipated at the time of the Original Budget.

##### 55.02 Statement of Financial Performance

###### Revenue :

###### Ref.

C5 Transfers Recognized - Capital increased as a result of an increase in MIG Funding as well as a roll-over budget for Housing Projects and an adjustment from operating to capital also for Housing Projects.

C6 Transfers Recognized - Operational decreased as a result of an adjustment from operating to capital also for Housing Projects.

C7 No material variance

C8 No material variance

C9 The initial Service Charges performance was greater than anticipated and was therefor corrected in the Adjustments Budgets.

###### Expenditure :

###### Ref.

C10 Adjustments to Employee related cost was due to a moneterium on the filling of positions. These figures was corrected in the Adjustments Budgets.

C11 No material variance

C12 Due to Savings on th Employee Related Costs, the Repairs and Maintenance shortfalls was adjusted upwards.

C13 No material variance

C14 Adjustments to Bulk Purchase was mainly due to the overperformance of Service charges, which cause a greater demand as well as an underestimation of budget towards the end of the Financial Year.

C15 A major increase in Security Services, Waste Transfer Services, Consultant Fees as well as IT support was the main causes of the budget increases.

C16 The main cause of increase in budget was due to Social Development and Security.

**55.03 Cash flow**

**Ref.**

Cash from Operating Activities:

C17 The main cause is an increase in Suppliers and Employees due to a decrease in the estimated outstanding Creditors in the Financial Position.

Cash from Investing activities:

C18 The main cause is an increase in Capital Assets due to an increase in the Capital Budget.

Cash from Financing Activities:

C19 No material variance

**55.04 Capital Expenditure**

**Ref.**

C20 The main cause of increase of the Community Services Capital Budget was due to the land purchase for housing project due to additional funding from Department of Housing.

C21 No material variance

**56 Material variances between actual amounts and the final budget**

**56.01 Statement of Financial Position**

**Ref.**

C1 The main reason was the Cash and Cash Equivalent, Consumers Debtors and Inventory outcomes that was significantly more than estimated, which was mainly due to operational efficiency and savings initiatives

C2 The main cause of the variance on Non-current assets was due to an unexpected correction of error with regards to Investment Property. Also refer to Note 37.06.

C3 There was an unexpected high increase in the trade creditors and well as an unspent portion of Conditional Grants.

C4 No material variance

**56.02 Statement of Financial Performance**

**Revenue :**

**Ref.**

C5 No material variance

C6 No material variance

C7 The effect of the change in the basis (assumptions), the effect of allowing for eligible In-service non-members, unexpected increases in the contribution rates, and unpredicted movements in the membership profile, that wasn't expected and thus not budgeted for.

C8 Traffic fines revenue realised unexpectedly higher than anticipated in comparison to prior years performance, because historical data and trend analysis gathered over time was the basis used to ensure more accurate budgeting.

C9 No material variance

**Expenditure :**

**Ref.**

C10 No material variance

C11 Due to a change in applying of GRAP 104, no budget provision was made for the bad debts written-off expenditure item.

C12 Due to the reclassification of Repairs and Maintenance Expenditure the Actual Expenditure was added to various other expenditure, but the Budget wasn't reclassified.

C13 Due to changes in the assumptions that was used previously in the actual valuation report with regards to Post Retirement Benefits and Long Service Awards, the interest costs was underestimated.

C14 No material variance

C15 No material variance

C16 Due to the reclassification of Repairs and Maintenance Expenditure the Actual Expenditure that was added to this category of expenditure and because the Budget wasn't reclassified.

**56.03 Cash flow**

**Ref.**

Cash from Operating Activities:

C17 More cash generated and retained through a combination of operational efficiencies, savings and improved revenue collection.

Cash from Investing activities:

C18 The main cause is an underperformance on the Capital Budget that was the main cause for the variance.

Cash from Financing Activities:

C19 No material variance

**56.04 Capital Expenditure**

**Ref.**

C20 No material variance

C21 Due to an additional Funding Allocation from MIG that could not be fully spent but was applied for to be rolled over to the next financial year, as well as various CRR funded infrastructure projects that underperformed.

**APPENDIX A - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2016	Correction of errors	Balance at 30 JUNE 2016 Restated	Received during the period	Redeemed/ written off during the period	Balance at 30 JUNE 2017
<b>ANNUITY LOANS</b>									
Development Bank	10.95%		2019/12/31	1 295 000	-	1 295 000	-	370 000	925 000
Development Bank	11.24%		2020/12/31	1 771 580	-	1 771 580	-	393 684	1 377 895
Development Bank	16.00%		2022/12/31	5 356 000	-	5 356 000	-	824 000	4 532 000
Development Bank	9.14%		2017/06/30	2 170 884	-	2 170 884	-	2 170 884	(0)
Development Bank	10.64%		2029/06/30	23 008 538	-	23 008 538	-	850 652	22 157 886
Development Bank	10.72%		2024/06/30	2 025 637	-	2 025 637	-	167 361	1 858 275
Development Bank	10.56%		2020/06/30	1 556 937	-	1 556 937	-	327 147	1 229 790
Standard Bank	11.45%		2025/06/30	16 209 607	-	16 209 607	-	1 107 951	15 101 656
Standard Bank	11.26%		2021/06/30	10 468 593	-	10 468 593	-	1 669 664	8 798 929
Standard Bank	10.71%		2021/12/31	10 119 301	-	10 119 301	-	1 436 051	8 683 250
Standard Bank	10.86%		2021/12/31	9 788 540	-	9 788 540	-	1 384 173	8 404 366
Standard Bank	10.94%		2023/06/30	9 810 912	-	9 810 912	-	995 452	8 815 460
Standard Bank	10.00%		2018/06/30	511 170	-	511 170	-	242 963	268 206
Standard Bank	11.43%		2024/06/30	10 568 659	-	10 568 659	-	867 123	9 701 535
Standard Bank	11.12%		2019/06/30	2 922 379	-	2 922 379	-	870 645	2 051 733
Standard Bank	11.81%		2025/06/30	9 457 606	-	9 457 606	-	627 769	8 829 837
Nedbank	10.36%		2026/06/30	20 000 000	-	20 000 000	-	1 172 311	18 827 689
Absa	10.04%		2017/2027				24 998 191		24 998 191
<b>Total Annuity Loans</b>				<b>137 041 340</b>	<b>-</b>	<b>137 041 340</b>	<b>24 998 191</b>	<b>15 477 831</b>	<b>146 561 700</b>
<b>LEASE LIABILITY</b>									
Finance Leases				3 748 200		3 748 200	-	1 785 497	1 962 703
<b>Total Lease Liabilities</b>				<b>3 748 200</b>	<b>-</b>	<b>3 748 200</b>	<b>-</b>	<b>1 785 497</b>	<b>1 962 703</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>140 789 540</b>	<b>-</b>	<b>140 789 540</b>	<b>24 998 191</b>	<b>17 263 328</b>	<b>148 524 403</b>



APPENDIX B - Unaudited  
BITOU LOCAL MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017  
MUNICIPAL- VOTES CLASSIFICATION

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R	2017 Budget Income R	2017 Actual Income R	2015 Budget Expenditure R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
112 713 686	(152 100 219)	(39 386 533)	153 042 383	159 571 011	(161 862 073)	(163 829 090)	(4 258 080)
255 156	(25 725 027)	(25 469 871)	493 239	317 150	(34 821 348)	(32 266 840)	(31 949 690)
2 493 918	(6 059 449)	(3 565 532)	2 499 000	2 499 000	(6 235 440)	(6 195 884)	(3 696 884)
132 680 736	(42 691 768)	89 988 968	131 786 412	141 817 277	(77 555 985)	(47 246 534)	94 570 743
6 199 826	(25 683 571)	(19 483 745)	14 783 695	8 318 198	(32 996 574)	(30 440 288)	(22 122 090)
29 802 720	(21 197 663)	8 605 057	29 631 588	30 197 727	(26 330 087)	(25 416 292)	4 781 435
274 129 153	(208 651 642)	65 477 511	309 854 849	300 290 668	(255 591 781)	(238 376 238)	61 914 429
558 275 196	(482 109 339)	76 165 857	642 091 166	643 011 030	(595 393 288)	(543 771 166)	99 239 864
			(45 001 356)	(11 492 210)	45 001 356	11 492 210	
558 275 196	(482 109 339)	76 165 857	597 089 810	631 518 821	(550 391 932)	(532 278 956)	99 239 864
				105.77%		96.71%	

**APPENDIX B (1)- Unaudited  
BITOU LOCAL MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017  
MUNICIPAL SUB- VOTES CLASSIFICATION**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Budget Income R	2017 Actual Income R	2017 Budget Expenditure R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
-	(6 218 277)	(6 218 277)	Administration Services	-	-	(7 854 676)	(6 852 658)	(6 852 658)
1 970 981	(3 129 639)	(1 158 658)	Aerodrome	4 113 707	3 493 220	(3 908 910)	(3 939 509)	(446 288)
2 430 001	(8 957 012)	(6 527 011)	Budget & Treasury Office	1 695 000	1 695 000	(13 848 146)	(9 318 857)	(7 623 857)
2 293 588	(2 446 402)	(152 814)	Building Control	2 693 667	2 554 625	(3 480 861)	(2 861 577)	(306 952)
-	(3 136 450)	(3 136 450)	Communication	-	-	(3 321 895)	(2 746 352)	(2 746 352)
-	(1 352 926)	(1 352 926)	Community Services	-	-	(1 838 065)	(1 942 450)	(1 942 450)
-	(115 980)	(115 980)	Computer room	-	-	(98 030)	(71 418)	(71 418)
28 666 233	(4 857 584)	23 808 650	Council's General Expense	27 658 175	28 259 903	(3 543 070)	(4 419 219)	23 840 684
952 175	(2 055 882)	(1 103 707)	Council General	949 620	949 620	(2 135 053)	(2 323 693)	(1 374 073)
146 794 916	(118 073 411)	28 721 505	Electrical & Mechanical Engineering	158 767 867	161 084 517	(142 851 145)	(131 396 583)	29 687 933
-	-	-	Environmental Management	180 244	-	-	-	-
-	(4 093 664)	(4 093 664)	Expenditure	-	-	(5 027 248)	(4 709 416)	(4 709 416)
4 181	(5 226 848)	(5 222 667)	Fleet Maintenance	-	137 792	(11 166 629)	(7 282 730)	(7 144 938)
-	-	-	Health Services	-	-	-	-	-
-	(2 110 771)	(2 110 771)	HOD: Community Services	-	-	(2 008 071)	(1 857 590)	(1 857 590)
-	(2 537 294)	(2 537 294)	HOD: Corporate Services	-	-	(1 265 695)	(1 670 402)	(1 670 402)
-	(2 127 701)	(2 127 701)	HOD: Infrastructure Services	-	-	(1 849 546)	(2 376 175)	(2 376 175)
-	(1 758 641)	(1 758 641)	HOD: Planning & Economic Development	-	-	(1 360 640)	(1 887 928)	(1 887 928)
14 553 915	(6 954 442)	7 599 474	HOD: Financial Services	8 174 568	18 828 362	(6 899 903)	(9 517 025)	9 311 337
255 156	(10 035 823)	(9 780 667)	Human Resources Management Services	493 239	317 150	(14 211 087)	(13 049 441)	(12 732 291)
45 126 287	(36 423 610)	8 702 678	Human Settlement and Housing	65 775 223	67 525 679	(24 788 999)	(26 037 394)	41 488 285
-	(1 102 651)	(1 102 651)	IDP	473 934	-	(1 548 937)	(1 551 206)	(1 551 206)
16 245	(7 996 537)	(7 980 292)	Information & Communication Technology	-	119 512	(11 076 922)	(8 658 402)	(8 538 890)
-	(2 421 489)	(2 421 489)	Infrastructure Services	634 794	-	(2 302 033)	(553 590)	(553 590)
-	(2 701 295)	(2 701 295)	Internal Audit & Risk Management	-	-	(3 450 959)	(3 234 802)	(3 234 802)
-	(2 444 256)	(2 444 256)	Legal Services	-	-	(6 329 930)	(6 005 537)	(6 005 537)
10 695 013	(10 067 732)	627 281	Library & Information Services	10 543 871	10 542 154	(11 015 242)	(9 909 148)	633 006
-	(1 790 125)	(1 790 125)	Local Economic Development	903 974	-	(2 851 021)	(2 921 280)	(2 921 280)
1 388 838	(4 648 386)	(3 259 549)	Municipal Land & Buildings	1 859 822	1 803 890	(5 316 694)	(4 599 791)	(2 795 901)
-	(2 232 156)	(2 232 156)	Municipal Manager	-	-	(1 512 294)	(2 643 651)	(2 643 651)
-	(483 103)	(483 103)	Office of the CFO	-	-	(570 805)	(560 498)	(560 498)
298 928	(631 086)	(332 158)	Office Of The Deputy Mayor	299 880	299 880	(633 242)	(586 071)	(286 191)
561 875	(1 263 994)	(702 119)	Office Of The Executive Council	574 770	574 770	(1 189 320)	(1 130 816)	(556 046)
382 012	(1 475 084)	(1 093 072)	Office Of The Executive Mayor	374 850	374 850	(1 646 177)	(1 487 299)	(1 112 449)
-	(2 175 084)	(2 175 084)	Office Of The Municipal Manager	-	-	(2 237 166)	(3 669 882)	(3 669 882)
1 136 486	(9 231 519)	(8 095 033)	Office Of The Political Office Bearers	1 973 413	1 937 824	(15 586 598)	(11 448 738)	(9 510 913)
298 928	(633 404)	(334 476)	Office Of The Speaker	299 880	299 880	(631 648)	(668 005)	(368 125)
698 447	(8 731 623)	(8 033 175)	Parks & Recreation: Beach Contr	4 042 294	418 398	(8 640 131)	(9 579 311)	(9 160 913)
-	(8 389 316)	(8 389 316)	Parks and Recreation	3 152 164	-	(9 090 668)	(7 936 994)	(7 936 994)

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Budget Income R	2017 Actual Income R	2017 Budget Expenditure R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
27 204	(223 196)	(195 993)	Parks and Recreation: Cemeteries	33 843	29 950	(751 867)	(230 350)	(200 400)
-	(1 392 478)	(1 392 478)	Parks and Recreation: Manager	512 494	-	(1 514 996)	(1 429 493)	(1 429 493)
163 769	(2 996 110)	(2 832 341)	Parks and Recreation: Simunye Centre	184 170	184 171	(3 556 897)	(3 053 733)	(2 869 562)
-	(1 579 020)	(1 579 020)	Planning & Economic Development	1 064 203	-	(2 526 793)	(1 604 317)	(1 604 317)
-	(16)	(16)	Planning & Project Management	-	-	(2 479)	(17 473)	(17 473)
-	18	18	PMS/SDBIP/Compliance	-	-	(16 450)	(163)	(163)
765 367	(1 237 800)	(472 433)	Proclaimed Roads	2 976 197	2 754 000	(4 368 636)	(4 352 181)	(1 598 181)
-	(4 317 197)	(4 317 197)	Project Facilitation	1 512 979	-	(7 637 276)	(5 912 347)	(5 912 347)
105 755	(8 097 890)	(7 992 135)	Protection Services: Fire Dept	5 038 651	1 384 655	(9 835 820)	(11 131 525)	(9 746 870)
-	(14 377 691)	(14 377 691)	Protection Services: Law Enforcement	2 704 557	-	(17 860 568)	(17 625 173)	(17 625 173)
-	(1 847 444)	(1 847 444)	Protection Services: Manager	365 261	-	(2 001 600)	(2 043 848)	(2 043 848)
26 498 194	(28 647 923)	(2 149 729)	Protection Services: Traffic	28 327 758	45 482 826	(28 155 715)	(37 587 813)	7 895 012
121 393	(7 173 480)	(7 052 086)	Revenue Services	29 861	23 911	(12 376 508)	(10 354 814)	(10 330 904)
-	(138 155)	(138 155)	Revenue Services : Meter Reading	-	-	(115 797)	(83 004)	(83 004)
115 254 703	(2 774 424)	112 480 278	Revenue Services : Property Rates	121 086 689	120 265 595	(22 626 649)	1 009 871	121 275 467
-	(18 937 624)	(18 937 624)	Roads , Stormwater & Buildings	8 738 607	200 000	(24 020 532)	(24 581 984)	(24 381 984)
-	(1 411 871)	(1 411 871)	Sport&Public Facilities Main	437 704	-	(1 132 567)	(1 636 525)	(1 636 525)
-	(404 635)	(404 635)	Strategic Services	138 672	-	(442 500)	(450 848)	(450 848)
304 478	(4 004 971)	(3 700 493)	Supply Chain Management	800 294	884 896	(4 915 977)	(4 982 970)	(4 098 074)
-	(5 149 601)	(5 149 601)	Tourism & Marketing	1 167 871	-	(6 867 435)	(5 774 988)	(4 988 074)
546 420	(3 674 474)	(3 128 053)	Town Planning & Environmental	2 187 601	466 462	(4 673 854)	(4 831 209)	(4 364 747)
29 399 017	(27 382 564)	2 016 452	Waste Management	31 924 393	34 003 179	(41 508 932)	(33 770 194)	232 985
48 817 129	(19 346 190)	29 470 940	Waste Water Purification	51 188 260	49 926 495	(20 697 502)	(21 045 076)	28 881 418
-	(3 044 595)	(3 044 595)	Waste Water Reticulation	-	-	(3 676 041)	(3 226 553)	(3 226 553)
77 717 741	(24 512 352)	53 205 389	Water Services: Water Distribution	86 036 145	86 152 175	(25 670 596)	(26 581 399)	59 570 777
29 818	(9 406 435)	(9 376 618)	Water Services: Water Purification	-	35 689	(11 351 845)	(11 067 621)	(11 031 932)
558 275 196	(482 109 339)	76 165 857	<b>Sub Total</b>	642 091 166	643 011 030	(595 393 288)	(543 771 166)	99 239 864
-	-	-	Less Internal charges	(45 001 356)	(11 492 210)	45 001 356	11 492 210	-
558 275 196	(482 109 339)	76 165 857	<b>Total</b>	597 089 810	631 518 821	(550 391 932)	(532 278 956)	99 239 864
-	-	-		105.77%	-	-	96.71%	-

**APPENDIX C - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Budget Income	2017 Actual Income R	2017 Budget Expenditure	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
32 296 637	(29 701 368)	2 595 270	Executive & Council	32 130 588	32 696 727	(38 895 457)	(37 617 713)	(4 920 985)
132 664 491	(34 579 251)	98 085 240	Budget & Treasury	131 786 412	141 697 765	(66 381 033)	(38 516 714)	103 181 051
1 660 239	(35 093 383)	(33 433 143)	Corporate Services	2 491 733	2 240 552	(43 587 499)	(38 099 311)	(35 858 759)
2 840 008	(12 351 310)	(9 511 302)	Planning & Development	7 503 623	3 021 088	(16 461 035)	(15 675 153)	(12 654 065)
-	-	-	Health	-	-	-	-	-
10 885 986	(18 162 607)	(7 276 621)	Community & Social Services	11 199 588	10 756 274	(20 302 709)	(18 629 796)	(7 873 522)
45 126 287	(36 423 610)	8 702 678	Housing	65 775 223	67 525 679	(24 788 999)	(26 037 394)	41 488 285
26 603 949	(52 970 948)	(26 366 999)	Public Safety	36 436 227	46 867 481	(57 853 703)	(68 388 359)	(21 520 879)
698 447	(18 513 416)	(17 814 968)	Sport & Recreation	7 706 952	418 398	(19 245 795)	(18 945 797)	(18 527 400)
29 399 017	(27 382 564)	2 016 452	Waste Management	31 924 393	34 003 179	(41 508 932)	(33 770 194)	232 985
48 817 129	(22 390 785)	26 426 345	Waste Water Management	51 188 260	49 926 495	(24 373 543)	(24 271 629)	25 654 866
769 548	(29 951 462)	(29 181 914)	Road Transport	12 349 598	3 091 792	(43 707 376)	(39 146 660)	(36 054 868)
77 747 559	(38 235 984)	39 511 575	Water	87 549 124	86 187 864	(44 659 717)	(43 561 366)	42 626 498
146 794 916	(118 073 411)	28 721 505	Electricity	158 767 867	161 084 517	(142 851 145)	(131 396 583)	29 687 933
1 970 981	(8 279 240)	(6 308 259)	Other	5 281 578	3 493 220	(10 776 345)	(9 714 497)	(6 221 277)
558 275 196	(482 109 339)	76 165 857	<b>Sub Total</b>	642 091 166	643 011 030	(595 393 288)	(543 771 166)	99 239 864
(4 409 890)	4 409 890		Internal charges	(45 001 356)	(11 492 210)	45 001 356	11 492 210	
553 865 306	(477 699 449)	76 165 857	<b>Total</b>	597 089 810	631 518 821	(550 391 932)	(532 278 956)	99 239 864
					105.77%		-96.71%	

**APPENDIX D**  
**BITOU LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2016	Correction of error	Balance 1 JULY 2016	Grants Received	Grants Adjustments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2017
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>								
<u>National Government Grants</u>	R	R	R	R	R	R	R	R
Equitable Share	2	-	-	64 235 000		64 235 000	23 400 211	2 281 791
MIG Grant			2	25 682 000		-	8 000 000	(0)
National Electrification Programme			-	8 000 000		-		-
ACIP			-	-		-		-
Drought Relief Grant			-	-		-		-
Municipal Systems Improvement Grant			-	-		-		-
Financial Management Grant			-	1 475 000		1 475 000		-
Escom Demand Side Management (EDSM)			-	-		-		-
EPWP			-	1 869 000		1 869 000		-
<b>Total National Government Grants</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>101 261 000</b>		<b>67 579 000</b>	<b>31 400 211</b>	<b>2 281 791</b>
<u>Provincial Government Grants</u>								
Provincial Management Support Grant			-	340 000		220 000		120 000
Community Development Workers			-	19 000		19 000		0
Libraries	372 873		372 873	1 604 000		1 860 136	116 737	0
Provincial Housing Grant	9 054 978		9 054 978	43 893 012		20 253 292	47 175 274	(14 480 576)
Proclaimed Roads Maintenance			-	2 754 000		2 754 000		-
Municipal Replacement Grant	287 305		287 305	8 226 000		6 868 187	1 645 118	(0)
Emergency Funding N.D.M.C	32 447		32 447			9 704	22 743	0
Thusong Grant			-	100 000		100 000		-
LGSETA			-	317 150		317 150		-
Service Delivery and Capacity Building			-	700 000		200 000	500 001	(1)
Graduate Internship Grant			-	60 000				60 000
<b>Total Provincial Government Grants</b>	<b>9 747 603</b>	<b>-</b>	<b>9 747 603</b>	<b>58 013 162</b>	<b>-</b>	<b>32 601 468</b>	<b>49 459 872</b>	<b>(14 300 576)</b>

Grant Description	Balance 1 JULY 2016	Correction of error	Balance 1 JULY 2016	Grants Received	Grants Adjustments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2017
<b><u>District Municipality Grants</u></b>								
Internal Audit		-	-				-	-
<b>Total District Municipality Grants</b>		-	-				-	-
<b>TOTAL</b>	9 747 606	-	9 747 606	159 274 162	-	100 180 468	80 860 083	(12 018 783)
<b><u>Public Grants</u></b>								
Social Responsibility	104 051		104 051	(104 051)				-
LED Strategy (IDC)	-		-				-	-
Upgrade Kwano Sportfield	-		-				-	-
Alien Vegetation (Std Bank)	-		-				-	-
Fire Disaster	-		-	272 196				272 196
SASSA	(603 466)		(603 466)	1 730 908		182 634	944 808	(0)
<b>Total Other Grant Providers</b>	(499 415)	-	(499 415)	1 899 053		182 634	944 808	272 196
<b>Total</b>	9 248 191	-	9 248 191	161 173 215	-	100 363 102	81 804 891	(11 746 587)